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JEREMY BENTHAM'S ECONOMIC WRITINGS

CRITICAL EDITION
BASED ON HIS PRINTED WORKS AND
UNPRINTED MANUSCRIPTS

BY
W. STARK

VOLUME THREE

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1801, and Bentham sat down at once and drafted the first sketch of an answer: we possess a summary of it which carries the date of March 2 (Univ. College collection III, 148). A fortnight later, on March 16, after Bentham's ideas on the subject had become somewhat clearer and wider, a second, much fuller sketch was worked out, and of that, too, a short summary has come down to us, although the corresponding texts are unfortunately lost (l.c. 149-151).¹

The subject-matter of the whole discussion was, of course, the obvious rise of prices which was taking place in the country and creating considerable hardship in many quarters, and the search for the causes of these unwelcome phenomena and for effective counter-measures. But Bentham was not satisfied with a purely theoretical speculation: he wanted to know not only the nature but also the extent of the evil that was under consideration, and he wanted to know that extent, that magnitude, as precisely as possible. For that reason we find him in May trying very hard to construct some sort of statistical picture or even numerical measurement of the inflation about which everybody was conversing and complaining. His studies, it must be confessed, did not yield any very concrete result because reliable data were not available, but they are interesting and valuable all the same because they show Bentham's desire for exactitude and his pioneering spirit in a field which has since become a vineyard of many labourers. We are fortunate enough to possess the sheets written in those days, and, in accordance with Bentham's own intentions, they are printed below as *Supplement to The True Alarm*.

We do not know how far Bentham's concrete researches in this respect really went. But Bowring has lifted one corner of the curtain for us by printing an exchange of letters between Bentham and the Rev. Robert Watts of Sion College, in September 1801, when Bentham was still collecting statistical material. "Reverend Sir", he writes on the 8th, "The importance of the public object, the pursuit of which has suggested the liberty I am taking by this address, will, I hope, plead my excuse for the trouble I am attempting to give you by it, unknown as I am in person, and perhaps even in name. Being engaged in some inquiries relative to the rise of prices, with

¹The two summaries are printed at the end of this volume, in the systematic survey of the surviving manuscript material (cf. pp. 484-491). Their content need not be discussed here because the gist of them is to be found in later texts and will be surveyed in connection with them.

the privy, and not altogether without the assistance of the Treasury, I obtained, not long ago, some valuable information on that head, from Bethlem Hospital. It was confined, however, to provisions and fuel; and my subsequent endeavours to extend it to clothing and other articles, were not equally successful.

"In looking over t'other day my stock of pamphlets, I happened to light on those sermons preached before the Society for the Propagation of the Gospel, in so many different years (1772, 1777, and 1780), at the end of two of which, among other statistical matters, I found accounts of the prices of the clothing furnished to the Charity Schools in the respective years. It struck me that, supposing these accounts to have been published regularly, or even frequently, from the commencement of that respectable institution, or for that part of the time which constitutes, in a more particular manner, the subject of my inquiries, viz. the period commencing with the present reign, the series of them might go a considerable way towards filling up the gap left in the above-mentioned document.

"Observing Mr Rivington to be the printer to the Society, I accordingly sent to his shop but now, in the view of furnishing myself with the sermons, &c. for such years as might serve me for that purpose. The answer being, that they had no copies with the documents, Sion College occurred to me as the place, of all others, in which I might reckon on the existence of a complete collection of those documents, if anywhere.

"The favour that I have accordingly to request, is—to know whether any such collection exists; and in what state in respect of completeness, in the library under your care; and whether I might be favoured with permission, and at what day or hour, by myself or clerk, to visit the library for that purpose." (*Works* X, 377.)

Watt's answer is not very enlightening as it is so scrappy that it admits hardly any comparisons. But it is interesting to hear that, in 1709, "the charge of clothing a poor boy of a Charity-School in London" was only 15s. 2d., and "a poor girl" as little as 12s. 10d., a pair of woollen stockings being 8d., a pair of shoes 1s. 10d. and 1s. 8d. respectively, and a gown and petticoat 4s. 8d.! Even in Bentham's own day, these prices must have had a somewhat fantastic ring. To make a boy's coat of "Yorkshire broad-cloth", "with pewter buttons, and all other materials", cost no more in wages than one single shilling. In the seventy years that followed a "girl's leather bodice and stomacher" rose from 2s. 6d. to 3s. 6d., and a pair of buckles from

1d. to 2d.—a clear reflection of the inflation whose extent Bentham was endeavouring to measure.

Without waiting for the collection of a body of statistical data large enough to allow the elaboration of some sort of index—an undertaking that must have looked wellnigh impossible in the circumstances—Bentham returned in June and July to his theoretical argumentation and wrote, once again, the first three chapters of his intended publication (summarized in U.C. III, 154 and 155).¹ But although he must have spent quite some time on the pamphlet since February, or indeed since October 1800 when he had first taken up the topic of paper mischief, he seems to have made little headway up to this point of time. It is easy to see why. By the middle of 1801 he was still fighting for his Annuity Note scheme, and that scheme, with its seeming chances of realization and success, must have overshadowed everything else. But in the last days of August that proposal was, as we have seen, finally buried, and so the road was at long last clear for a real start on *The True Alarm*. The bulk of the papers which belong to this title was most probably written in the last four months of 1801.

But the end of August 1801 is an important date in our present context not only because it marks the beginning of more concentrated work on the treatise under discussion. It also indicates, or rather foreshadows, the coming of a definite change of tone in the text, which in turn is due to a still more definite, if gradual, change in the underlying mood. Up to this juncture, Bentham is buoyant and consequently full of fight: from then onward, his crude aggressiveness is slowly dying down and simple pleading tends to take its place. We see once again how shattering the blow must have been which Eden had struck. We have the draft of a preface written on March 16, which reveals that the publication was originally planned as a downright attack on Boyd. This is how it starts: "In the liberties I have taken with the production of a gentleman not less distinguished by ²his³ talents than by ²his³ misfortunes,⁴ I have had in some degree perhaps, a personal, but certainly in no degree

¹Cf. below, pp. 491, 492. As this version coincides in its general drift and in its concrete arguments to a large extent with the two earlier ones, we print not the whole summary but only its most important passages.

² ³The word "his" is in brackets.

⁴Boyd had been the head of the firm of Boyd, Ker & Co. in Paris whose property was confiscated by the revolutionary authorities, and had, after his flight from France, founded the house of Boyd, Benfield & Co. in London which broke down in 1799.

any hostile view. In seeing his book thus taken for a sort of textbook Mr Boyd will recognize a token of respect of which it is not in man's nature to complain: though it is too much for me to hope that the comment should always meet with his approbation." These lines reveal the tone which Bentham intended to give to his booklet. Particular politeness in the preface was always apt to mean particular rudeness in the text! Knowing what was to come, he apologizes beforehand for any hard words he might conceivably be found to use: "Should the observations appear to [Mr Boyd] here and there to be marked with too much levity, he will consider it not as a mark of disrespect to himself, but as the expression of a mind which, after [having] made its way to daylight after no small labour, makes itself merry at the expence of the obstacles which had so long sat heavy on it. He then revenges himself as it were upon opposite opinions, for the trouble he has [had] in getting clear of them", remembering, however, all the time, that "this, surely, if there be any, is a spot on which mutual forbearance and toleration ought to exercise themselves" because "it is a ground on which, more than most [others¹], the true and the false are . . . interlaced and entangled" (U.C. I, 621-624).

From a few letters written at the time we can see that Boyd was not to escape without severe handling. The very title of the pamphlet was to be "in contradistinction and reference to Mr Boyd's" which appeared to Bentham, as he told Vansittart on April 20, "to be in great measure, though perhaps not wholly, false". To Henry James Pye, the Poet Laureate of the day, he had explained his disapprobation of Boyd in the very week when the latter had published the second edition of his pamphlet—the edition Bentham proposed to pluck to pieces. "Where he sees danger, I see none", Bentham says. "From his remedy it seems to me as if something (though, I believe, not much) might be hazarded, at the same time that there is absolutely nothing to be gained. On the other hand, where he sees no danger, I see much, accompanied at the same time with vast benefit, and I think I see a set of expedients whereby the danger might be removed—at least in a great degree—and, at the same time, the benefit preserved entire. This", Bentham goes on to say, "may one day, perhaps, form part of a regular work, not dependent on times or persons; but *en attendant* the occasion presents one with a few observations grounded on Mr Boyd's pamphlet, and

¹The MS reads "errors"—a very characteristic slip of the pen.

the controversy to which it has given rise. My inclination that way is strong enough to dispose me to bestow a few days of my time upon the occasion . . ." (*Works* X, 364, 361).

Even a cursory reading of Boyd's pamphlet will clearly show that his convictions and those of Bentham were diametrically opposed. It is the Bank of England, the policy of its directors, and in particular the suspension of its traditional payment in specie, which he holds responsible for the general dearth of all commodities. "Before the memorable 26th of February, 1797", he writes (2nd ed., p. 3 *seq.*), "it had been the pride and boast of this country, for more than a century, that the Bank of England, which had contributed so essentially to the extension of our trade, and to the consolidation of the Public Credit, had never, in any instance, departed from the most scrupulous observance of the obligation (which indeed formed the fundamental condition of its institution) of paying every demand upon it, in specie, the moment such demand was made. While this condition, at once the pledge of its own good faith towards a confiding Public, and the proof of its private prosperity as a Company, remained inviolate, there was little danger of an excessive circulation of Bank-notes; but, from the moment this condition was dispensed with, the danger of excessive issues became apparent. Indeed it is not to be supposed, that a corporation, whose profits chiefly arise from the circulation of its Notes, and which is exclusively directed by persons participating in those profits, has been, or could possibly be, proof against the temptation, which the licence they have enjoyed since February, 1797, has afforded." That licence is the root of all evil: "The increase in the prices of almost all articles of necessity, convenience, and luxury, and indeed of almost every species of exchangeable value, which has been gradually taking place during the last two years, and which has recently arrived at so great a height, proceeds chiefly from the addition to the circulating medium . . . made by the issue of Bank-notes, uncontroled by the obligation of paying them, in specie, on demand." While he is thus accusing the Bank of England, Boyd is assiduously excusing the country bankers. "These Banks", he says, "are bound to observe a degree of moderation in their issues, to which the Bank of England is not now restrained. Every note which the Country Banker issues is payable on demand, either in specie, or in notes of the Bank of England. It may therefore be inferred, that no part of these issues can possibly remain in circulation, beyond what the encreasing

prosperity and industry of the country where they circulate, can fairly absorb or digest." It is not here that one must seek the source of inflation. "The Bank of England is the great source of all the circulation of the country; and, by the increase or diminution of its paper, the increase or diminution of that of every Country-Bank is infallibly regulated." Hence if there is any excess in the circulation of promissory notes by country bankers "beyond that which would have existed, if the bank [of England] had never ceased to pay its notes in specie", it is "clearly attributable to that cessation" (ib. 18, 20, 23).

That was not at all the way in which Bentham saw and interpreted things. He thought, nay, he was convinced, that the Old Lady was not to blame, while he regarded the freedom of the country bankers as the real core of the problem. Boyd's assertion that "the inconvenience, arising from an excess of Country Bank-notes, can only operate as a secondary cause", while "that which arises from an excess of Bank of England notes, is a radical and primary cause, which alone has produced, or can produce, any very important effects on the general circulation of the country" seemed to him a downright inversion of the truth. Nor could he regard as anything but foolish Boyd's further assertion that "the resumption of payments in specie at the Bank, gradually introduced, would gradually reduce the circulation of Country-Banks to its natural and proper limits, and thus accomplish, without convulsion or murmur, that reformation of the general currency of the kingdom, which any system of the regulation of Country-Banks would, in all probability, fail to produce". What Boyd suggested was, in Bentham's opinion, tantamount to putting the cart before the horse. But what must have raised Bentham's ire more than anything else was the passage in which Boyd contemptuously dismissed the conviction that the inflationary process had started with the country banks, as just "another proof of the confusion of ideas on the subject of circulation" (pp. 23-24, 19-20, 17). Should such a direct challenge remain unanswered?

Apart from Boyd, Adam Smith was to come in for some criticism in the intended publication. He, too, Bentham felt, was in a measure to blame for the false alarms that were sweeping the country, and for the fact that the true alarm was not recognized. Referring to a passage contained in book II, chapter II, of *The Wealth of Nations* Bentham notes on a sheet of preliminary jottings "that it was a

mistaken notion on the part of Adam Smith that the institution of paper money was productive of an encrease of real wealth in the commercial world in virtue of the metallic money expelled by it, if any had been expelled by it. Supposing it expelled from the country, it must have produced an addition to the money of other countries, unless it were expelled out of the world. . . . If each country had its paper money, each country would thus expell metallic money into all others, and even without receiving from other countries any metallic money expelled from those countries by the paper money of those countries, our own metallic money, supposing it for the moment to have been expelled from it by our own paper, would in time have flowed back into this from those other countries into which it had been expelled." (U.C. III, 158.) Bentham also objected to Smith's habit of calling money "the great wheel of circulation" (l.c.): as always, he saw much danger in the use of such flowery language. On a sheet which is difficult to place, but which seems to belong to the *Alarm* papers (CVII, 23),¹ he expresses himself as follows:

"The proposition that the wealth of a nation is not in proportion to the quantity of money in it, but to the rapidity of its circulation, should be confined to such transfers as are productive of labour.

"Instances in which a transfer of money contributes nothing to wealth: 1. Where money is given for evanescent services, as attendance, acting, singing, dancing, prostitution &c. 2. Where it passes from hand to hand in a course of gaming. 3. Where it is given in the way of a present. 4. Where it is lent on security or otherwise and repaid. 5. Where it is employed in the sale and resale of the same article, bought and sold again and again in the way of speculation.

"Errors depending on the above error which makes wealth dependent solely on circulation: 1. No matter in what way money is spent, so it be spent: for it equally promotes circulation. This is urged in defence of expenditure incurred in the purchase of evanescent services, or of useless though permanent articles: such as useless edifices, or buildings attended with unnecessary expence.

¹The Catalogue ascribes this item to "c. 1793", but there is no evidence whatever that it is of such an early date. As the passage leads up to the statement that "there is a certain proportion of paper money that can never maintain its credit, though there should be no alarm", we are perhaps not over-rash in suggesting that it was written when *The True Alarm* was being prepared.

2. No matter in what way money is spent, so as it does not go out of the country: for it remains in readiness for circulation.

"These errors result from the metaphor employed in the word *circulation*. The metaphor leads men astray from the plain truth. It is not a correct one. It implies that whatever article passes from any man, that same article constantly returns to the same man at the long run. It has confused the ideas of Adam Smith: it has led him astray from the subject: it has set him a talking about *wheels*. . . . By way of making the matter clearer, he makes money a thing that circulates other things, a wheel, and with his wheel he circulates other things, which never make a single round in it but immediately drop out and are consumed."

A third *pièce de résistance* which Bentham intended to use was the *Report of the Secret Committee of the House of Lords, on the Affairs of the Bank* (cf. *Parliamentary History of England*—i.e. Hansard's predecessor—vol. XXXIII, 449–463). In particular, he had many serious objections to the evidence given before that committee by Thomas Irving, the Inspector General of Imports and Exports, who struck him as a belated protagonist of the mercantilistic theory exploded by Adam Smith.

The intention of using these three men as Aunt Sallies was not perhaps given up all at once. The summary of an important chapter (which will occupy us a little later) dated October 11–17 still presents a critical discussion of Irving's ideas concerning the balance of trade. Nevertheless personalities and polemics disappear progressively from Bentham's pages and it is obvious that he is more and more inclined to make *The True Alarm* into a scholarly treatise "not dependent on times or persons". But once the decision to make a contribution to economic literature rather than to political discussion was attained, a further consideration presented itself. Was a work "independent of times and persons" not also independent of publics and places? Why publish in English and in England, a country obviously slow in the uptake, blind to Bentham's vision and deaf to Bentham's preaching? Why not publish on the Continent where new life was stirring everywhere, and where the good seed might fall on much richer and much more open soil? Bentham had decided to give his *Traité de Législation* to the French before they were to be given to the English: those were the days when their publication in Paris was imminent: why not send a *Traité de la Hausse des Prix et des Effets du Papier-Monnaie* into the world by

the same route? Etienne Dumont was just making a proper book out of the mass of materials Bentham had accumulated on the subject of legislation: would he not make just as proper a book out of the economic materials that had been piling up since the beginning of 1801?

Another, more personal consideration must have influenced Bentham in the same direction. If *The True Alarm* was to become a didactic treatise, then the chapters drafted first would need re-writing, or at the very least a purging-out of all polemics. But that was a task which Bentham could not possibly find to his liking. To go over papers which he had once laid aside was little to his taste. Was not Etienne Dumont, the gentlest of all men, the very person to whom to entrust such a cleansing of the text? Was he not the ideal editor who could change the tone of a treatise without obscuring its vital content, without crippling its message and spoiling its ideas?

In the absence of more concrete information we can only conjecture that such were the ideas which passed through Bentham's mind. The simple fact of the matter is that he bundled his manuscripts together and sent them off to Geneva where Etienne Dumont was living at the time. Dumont set to work and translated them, as well as he could, into French. But, alas! he may have been a clever philosopher: he was not (at that time at any rate) an economist, clever or otherwise. He could make little or nothing of Bentham's arguments. At one point he notes at the margin: "I have read the manuscript ten times without understanding it" (fol. 168), at another: "I understand neither the original, nor my translation" (fol. 356), and at a third he simply sets down the eloquent word: "Hebrew" (fol. 193)! In the fragment of a preface which is contained in the Geneva collection (fol. 31 *et seq.*) he confesses that of all the work he had done on Bentham's half-finished treatises, none had caused him so much trouble as this. "The manuscripts", he writes in self-defence, "offered me only an imperfect and often broken thread for guiding me through a labyrinth of independent and at times contradictory essays. Had I not been sustained by a sentiment of faith, or, to speak more simply, by a deep persuasion that the genius of the author could not apply itself with so much intensity to an important topic without making valuable discoveries, I should have thrown my first sketch a hundred times into the fire." Implicit belief in the

value and validity of the author's ideas is no doubt an invaluable and indispensable ingredient in every successful editor's mind, but in itself it is not enough. Enthusiasm must be matched, if not outdone, by knowledge and understanding, and these were absent in Dumont's case. He did not throw his first sketch into the fire, but he laid it into a drawer, and thus it was, for the time being, effectually removed from the stage.

However, although Dumont could not make anything of Bentham's *Alarm* papers when they were first entrusted to him, he certainly did not put them out of his thoughts; and in 1810, when the Bullion Controversy had stimulated fresh interest in all problems of monetary circulation, he remembered them and asked himself whether publication was not possible and advisable after all. Now, by this time Bentham was no longer the lonely thinker he had been in 1801: he had made friends in the meantime, among them an outstanding economist, James Mill. Dumont consulted Mill, and Mill, in his turn, consulted his friend Ricardo, whose star was then rapidly in the ascendant. Their opinion was duly given, but it was, on the whole, negative.¹ Both ultimately joined in advising against publication. No wonder: their agreement with Bentham on matters of detail was never complete. The upshot of it all was that the *Alarm* papers were now finally and definitely laid aside.

It was probably in connection with this consultation of Ricardo and James Mill that the original (English) manuscripts of Bentham's own hand were lost. In the handwriting of an old man, Dumont noted on his French version: "I transmitted these manuscripts, with which I was unable to deal to my satisfaction, to Mr Ricardo . . . but unfortunately they were lost on their return." It is not certain if this latter phrase is an admissible translation of "*les renvois sont perdus*"; nor is it absolutely necessary that the term "*les renvois*" should refer to the *English* papers; but this is the likeliest interpretation of the note. And, in any case, surely, the fact remains

¹For Mill's judgment, cf. *The Works and Correspondence of David Ricardo*, ed. Sraffa and Dobb, VI, 1952, pp. 13 *et seq.* For Ricardo's, *ibid.*, 14-18. Ricardo allows that the manuscripts contain "some very able and just views of the subject" and even goes so far as to say: "I should be sorry if we should lose what is good because some error may be mixed with it." Nevertheless, he obviously agreed with Mill who strongly held that the papers were not fit for the printing press. Dumont was at first reluctant to abandon the project but seems to have been talked over in a *viva voce* conference which took place in Ricardo's house. Cf. *ibid.*, 18-21. Ricardo's detailed criticisms are printed in Sraffa and Dobb, III, 1951, pp. 259 *et seq.* Cf. also Edmund Silberner, *Un Manuscrit Inédit de David Ricardo sur le Problème Monétaire*, *Revue d'Histoire Economique et Sociale*, 1940, pp. 195 *et seq.*

that the autograph manuscripts are nowhere to be found. This is the reason why the present edition contains a re-translation into English of Dumont's French rendering, couched (as far as that is possible without undue artificiality) in Bentham's own terminology and lingo.

In his essay mentioned above Mr. Silberner has given the impression that Dumont failed in his task as editor of *The True Alarm* simply because the material put at his disposal by Bentham was all too imperfect. Whether that is really so, whether a true economist could not have worked it up into a sound treatise (especially one empowered, as Dumont was, to add and to omit and to remodel as he saw fit) is a point which must be left to the judgment of the reader. Yet even the short summary of the reconstructed work which is now to follow here is enough to show that the manuscripts as they left Bentham's hand and house were by no means unintelligible and useless.¹

Bentham begins with the statement (which he no doubt hoped would have a certain shock-effect on his readers) that money has depreciated by 50% since the accession of George III in 1760. For this development, bad harvests and high taxation are not to blame. The cause of it must rather be sought in the considerable increase of monetary circulation. In a way, such an increase in circulation is a welcome fact, because it is an indication and even an instrument of economic prosperity; but, on the other hand, it is an evil in so far as it implies a tax on fixed incomes, and a danger in so far as it may lead to universal bankruptcy. This evil and this danger are real, but there are two reassuring features: nobody is morally to blame; and there is an effective and harmless remedy—the limitation of paper issues.

Having thus, by way of introduction, indicated the general drift of his treatise, Bentham begins in chapter 1 to make certain distinctions. Wealth is either pecuniary (money), or non-pecuniary (real wealth, better called the matter of wealth). Money is either primary (when the material value of it is identical with its nominal value, e.g. gold coin) or secondary (when it is derived from, and representative of, primary, e.g. promissory notes). Chapter 2 then brings the definition of wealth. Two elements make up that definition: there must be a sensible object, and the object must

¹This is also the opinion of M. Bernard Gagnebin. Cf. his lecture *Jeremy Bentham et Etienne Dumont*, published in *Jeremy Bentham: Centenary Celebrations*, 1948, p. 46.

be a matter of use and desire, it must have a certain attractiveness for men. It is characteristic of Bentham's thought that he includes persons, *qua* sources of service, alongside inanimate things. Further distinctions are then introduced, the most important being that between absolute and relative wealth. Absolute wealth is the aggregate wealth of the whole nation, relative wealth the *per capita* share of each citizen. In chapter 3 national income and national capital are defined. Productive is distinguished from unproductive capital, and the distinction driven home by an array of examples. The inhabitants are part of the productive capital of a country. Chapter 4 pursues the same line of thought. It explains the difference between real and nominal income. A last echo of the physiocratic doctrine can be heard in the distinction, which is fully elaborated, between the "primary" and the "derived" part of the national income, and between "natural" and "conventional" revenue. By "wages of productive labour", which are classed as conventional, Bentham seems to mean more specifically artisans' incomes, not the incomes of agriculturists, although the passage is not altogether clear.

The next chapter, chapter 5, takes a great step forward by discussing the notion of value and the distinctions to which it gives rise. "All value", we are told, "is founded on utility." There are goods of intrinsic value, such as food, and goods of subservient value, such as tools. Human labour, being only instrumental, is of subservient value. There are goods of essential and invariable value, such as relative necessities, and goods of variable and fancy value, such as relative luxuries. Apropos the distinction between value in use and value in exchange, Adam Smith comes in for some criticism: water, Bentham urges, may have exchange value in some situations, while diamonds may have their uses. Only money, as money, has no use value. Yet the use value of a coin as metal is the foundation of the exchange value of the same coin as a means of circulation. Somewhat more interesting and original than these considerations is the confrontation of intrinsic and conventional value which now follows. Gold coin has intrinsic value because of its matter, which is useful in itself; the value of paper money rests only on a social convention. Intrinsic value is the foundation of conventional value, very much as value in use is the foundation of value in exchange.

Chapter 6 contains Bentham's doctrine of the factors of production. These are labour and land. Labour is the truly active element;

it can be of various degrees of efficiency. Money does not figure among the factors of production, nor has its quantity any influence on their supply and efficacy.

In chapters 7 and 8 Bentham comes at long last nearer to the proper subject-matter of his investigation. The precious metals, he points out, have become the main mediators of exchange and commerce, not because of convention or the "seal of authority", but because of certain properties which they possess. Bentham enumerates these properties. He strongly upholds here what was later to be called the metallist position. Paper money is, in harmony with that position, defined as a promise to deliver metallic money. Its value is derived from the value of the metal which it represents. And yet, Bentham admits, its value may be higher than that, because it is more convenient to use paper than metal in the petty day-to-day transactions of economic life: it has a higher "portability" than coin. This convenience is the foundation of all paper money and of banking in general. The bank of deposit is for Bentham the basic type of bank.

The next following chapter, chapter 9, discusses the conditions on which the performance of the different kinds of money depends, especially their "aptitude for rapid circulation". They are four: the nominal or face value of the concrete instrument; its portability; its solidity or "certitude with regard to payment" in gold; and, lastly, the period or point of time when that payment is to take place, supposing it beyond doubt. Small money is, in a way, technically the most efficient kind of money because it circulates most widely and most rapidly. Yet it would be foolish to increase the number of petty coins unduly as there must always be a certain proportion between the various denominations. This proportion ought to obtain, not only in the currency at large, but also in the paper currency.

Chapter 10 is devoted to the special problems of the paper circulation. Paper money payable on sight, i.e. promising the delivery of metal on demand, can only be issued if a sufficient cash reserve (say, a coverage of 33% of the outstanding circulation) is available to the issuing banker, to fulfil that obligation in case of need. This cash reserve Bentham calls the "security fund" of a bank. He considers in turn the cash reserves of the Bank of England, which are exclusively metallic; the reserves of the private banks, who also include each other's paper; and the reserves of

the provincial banks who very largely look to their London associates for succour when it is wanted. In chapter 11 this picture is rounded off by a glance at the non-issuing London bankers. These have, of course, to satisfy the frequent demands of their depositors for ready cash, and keep for that purpose also a kind of security fund which consists not only of coins and Bank of England notes, but also, to a certain extent, of Exchequer Bills and East India Bonds. In so far as that is so, they, too, increase the volume of paper current in the country by freeing means of circulation which would otherwise have to remain locked up in their coffers.

The short chapter 12 marks the transition from book I to book II, from the basic generalities to the analysis of prices. If new money is poured into circulation, the whole currency is depreciated. This is an evil, but an evil that can be controlled if the right precautions are taken in time. The mention of precautions at this point foreshadows the contents of book III in which Bentham passes from a discussion of his diagnosis to the recommendation of appropriate remedies.

The reconstruction of this first book of *The True Alarm* was a comparatively easy task because Dumont, most obligingly, has left us a sheet of paper with a list of chapter headings (Geneva collection, fol. 30), and this tallies on the whole with the order in which Ricardo perused the manuscripts as we can see from Mr. Sraffa's edition of the *Works and Correspondence* (vol. III, pp. 259 *et seq.*). We are not so fortunate with regard to the rest of the work. Ricardo followed one definite sequence; an "*index des chapitres*" set out by Dumont on a further (uncatalogued) sheet of the Genevan collection indicates another. For instance, what appears as the third or fourth chapter of book II according to the numeration of Ricardo's critical comments, is classed by Dumont as chapter XX. In the circumstances it seemed best to follow neither the one model nor the other, especially as it is difficult to discover a firm red thread in either of them, and to bring the papers independently into an order which will allow the reader to see Bentham's argument to its best advantage. This is what has been attempted, and the result is gratifying in so far as the general drift of the "body of the work" is now in broad agreement with both Ricardo and Dumont. As for the detail, there are unavoidably several deviations. All the statistical material has been collected in a "Supplement" as it appeared, from a study of the preliminary (autograph) notes, that

that is where Bentham wanted to have it. Many smaller chapters had to be abandoned because they are too fragmentary to yield a definite link in the chain of ideas. One very short chapter entitled "The Augmentation of Metallic Money" has been used as a footnote in chapter 19,¹ "Propositions concerning the Rise of Prices", because it did not seem to fit in anywhere else; and another short chapter, "Prices—a Measure of Monetary Circulation", here labelled 18, has been shifted to a later part of the book than it occupied in the bundle of papers sent to Ricardo by Dumont, and in Dumont's table of contents. The opening words of chapter 19 refer to some such intermediate passage as that presented by this chapter, and without its interpolation at this point there would have been too great and puzzling an intellectual hiatus between chapters 17 and 19, of which the former is mainly concerned with non-monetary factors, while the latter is taken up with the purely monetary side. The discussion of "forced money" at the end of chapter 17, though something of a transition, would not have sufficed to close the gap.

Remembering always that he is out to teach, Bentham opens his second book again with distinctions and definitions, dealing this time with the concepts of price and cost. In chapter 13 he labours the rather obvious point that, as far as an estimate of the purchasing power of incomes is concerned, only "definitive" prices—the prices paid by the consumer—need be taken into account, while the "preliminary prices" are altogether irrelevant. The next following chapter deals with the causes of price movements. Prices may rise for monetary reasons, or for reasons which operate in production and distribution. The latter, Bentham insists, are exceptional and gain some importance only during a war. The former, on the other hand, i.e. increases in the quantity of money or in the rapidity of its circulation, are permanently at work, and it is they that are responsible for the general rise of prices which the country is experiencing.

Chapters 15 and 16 treat of war and famine respectively. Bentham holds that, in the last analysis, war tends to reduce prices. His train of thought is something like this: in the normal course of events, prices will rise; war interrupts and inverts the normal course of events: *ergo* it must depress the price level. A singularly questionable effort! As for famine, it presents the economist with a clear-cut

¹Cf. p. 131 *seq.*

question. How is it that while it lasts all prices seem to rise, even though there is no apparent increase either in the quantity of money or in the velocity of its circulation? Is such a development not technically impossible? In answer to this puzzle Bentham points out that the rise of the price level is in point of fact only partial and temporary, and that the quantity of money used is effectually swelled by non-saving and dis-saving, by the melting down of plate, and by the wider use of credit.

In the rather important but at the same time comparatively unsatisfactory chapter 17 Bentham investigates various economic facts for the tendencies and counter-tendencies which they set up with regard to prices. Saving, for instance (unless it is pure hoarding), both tends to reduce and to raise prices: to reduce them by financing investments and stepping up production; to raise them by indirectly causing a "more than equivalent addition to the effective force of money", that is, by increasing, *via* the banks, the volume and the velocity of monetary circulation. Apart from saving, Bentham considers such phenomena as the widening and the restriction of the sphere of monetary and market transactions in comparison with self-supply and barter, and pays attention to such factors as harvest variations, requisitioning, and the use of "forced" money, i.e. money which is no longer freely exchangeable for gold, for instance in connection with the financing of a war through the printing press.

After two transitional chapters we find ourselves face to face with the main contentions of Bentham's work. They are set out in chapter 20. The introduction of new money, Bentham points out, habitually increases wealth, even though it is clear that the production of wealth is in itself independent of the volume of money in the country. The explanation of this apparent paradox is that the new money that is being introduced passes almost always "at the first step" through the hands of industrialists and traders who put it to good use and thus can widen their enterprises, which they could not have done without the possession of the additional means of circulation. However, industrialists and traders can only widen their enterprises if there are as yet unemployed resources. If all available resources, especially the national "fund of capacity for labour", are fully employed, the new money cannot possibly increase production any further and must lead to a pure and unmitigated rise of prices. The rise of prices is an obvious evil connected with

any uncontrolled and overgrown system of paper currency. Unfortunately it is not the only one. The danger of universal bankruptcy is another. The bulk of paper money in circulation consists of engagements to deliver metallic money on demand, but there is never enough metal available in the issuing banks to fulfil all these engagements at the same time. The very profit of the issuing bankers consists in emitting more paper than their cash reserves would, strictly speaking, permit. Partial coverage is universal. And, what is more, the disproportion between coverage and circulation is continually becoming greater and greater.

The rise of prices, flowing as it does from the same source as the danger of bankruptcy, is, naturally, a measure of that danger itself. As long as the rise of prices and the growing danger of bankruptcy are counterbalanced by additions to national wealth, the one is an evil and the other a risk which could, and rationally should, be accepted. But as soon as this is no longer so, evil and risk become senseless. It is impossible to say *when* that point is reached, but it is clear that it either has been reached already or will be reached one day in the future.

Having thus prepared the reader for what is to follow, Bentham begins at this juncture to launch his main attack. The real cause of either trouble—the real cause of the true alarm—is the paper of the provincial banks which, more than any other, is liable to exist in excess because the profit of these bankers is in proportion to the amount they can issue. The necessity to keep security funds is no real check from the national point of view because the paper money of other banks enters to a considerable extent into these reserves, while hard cash only constitutes a part, and that a dwindling one. Bentham also tries to show that the facility with which paper money can be issued by the provincial bankers induces them to give credit facilities even to doubtful borrowers—an accusation which was probably less than fair. In all this, paper money is very different from bills of exchange which are always tied to concrete ventures in commerce or production and thus cannot well exist in excess.

The whole discussion leads up to Bentham's crowning contention which is that general bankruptcy is, under the existing paper system, where everybody can do what he likes, absolutely unavoidable: either the provincial bankers do not accumulate adequate security funds, in which case they must break down as soon as there

is the slightest run; or they do. But then more and more metal will be drawn together in their coffers as the volume of paper circulation increases until none is left in the market—a state which seemed to Bentham tantamount to a monetary catastrophe. He could not well imagine a sound circulation without gold sovereigns! Today this attitude seems no doubt childish, even incomprehensible, but we must not forget that our author was writing *anno Domini* 1801.

The picture Bentham draws of the anticipated state of affairs after the general bankruptcy has taken place is more than gloomy: it is positively bloodcurdling, and on that sombre note chapter 20 and book II of *The True Alarm* come to a close.

The materials put into Dumont's hands for the making of book III were admittedly somewhat meagre, as the reader can see for himself. Nevertheless, they are definite enough to show what Bentham was driving at. In chapter 21 he proclaims his aims. They are: prevention of the evil in the future, and compensation for the damage done to "fixed incomists" in the past. Chapter 22 indicates the first practical step to be taken, which is to find out how far the inflation has already gone—how far prices have risen, and how far the purchasing power of fixed incomes has in point of fact been reduced. Parliament, Bentham urges, should undertake an authoritative inquiry, firstly into the increase of prices, and secondly into the quantity of money of all sorts current in the country. The period to be reviewed is to be the reign of George III (i.e. the years 1760–1800). Bentham recommends the use of samples. The best indices of the total price movement are the prices of victuals and other goods of general consumption.

In the next chapter (23) Bentham outlines his "definitive remedies". Bankers are to register and to take out patents; their number is to be controlled; they are to give securities for their solvency; their note issues are to be limited and taxed; and the coining of bullion is to stop forthwith.

The penultimate chapter, chapter 24, contains a series of considerations very characteristic of Bentham's approach and present in all his comparable writings: a discussion of "false remedies". The arguments put forward here are very straightforward and need neither summarizing nor interpretation. Most interesting and important is perhaps "false remedy no 8", the resumption of payments in specie by the Bank of England. The chapter as a whole is

valuable mainly because it sheds some light on the reasons which led Bentham to propose the legislative enactments outlined in chapter 23 as the right specific against the "paper mischief" of the period.

The last chapter, somewhat timidly, tries to tackle the problem of compensation. Various difficult questions are taken up: who has lost through the paper-begotten inflation, and in what measure? Who can be easily indemnified, and who only under difficulties? What ought to be the amount of the indemnity? The text is here very fragmentary and only the case of certain "fixed incomists" (the King, officers, pensioners, judges, civil servants) is considered in more detail. Without adequately discussing the size of the indemnity to be granted, Bentham lays down the principle that it should not amount to a full compensation for the losses incurred because such generosity would be much too expensive. What is amusing in these pages from the biographical point of view is the respect and the sympathy with which Bentham still speaks of the King. Ten years later he would have expressed himself in very different terms!

As indicated above, Bentham decided to use certain materials he had written in May 1801 as a *Supplement* to *The True Alarm*. This *Supplement* was to be an attempt to provide some kind of a mathematical appendix. Bentham tried to calculate the degree of monetary depreciation and to evaluate the losses and gains bound up with it, and to give his results in concrete figures. He does not perhaps get very far. But we must not forget that this was a pioneering effort, and a brave one too. Here at any rate the modern figure-conscious economist should recognize in Bentham a kindred soul and a genuine forebear.

BENTHAM'S ATTITUDE TO MERCANTILISM

We have seen that *The True Alarm* was originally to have been an attack on "Mr Pitt, Mr Fox, and Mr Boyd"; that later on it tended to become a discussion with Mr. Boyd, Dr. Smith, and Mr. Irving; and that in the end it turned out neither. Most of the preliminary material is lost, probably for ever, especially the part that dealt with Walter Boyd the banker. But another part has, happily, survived—the part that is concerned with Thomas Irving and his theories and statistics. We must be glad to have it because it throws

some light on a field of economic speculation to which Bentham otherwise did not pay overmuch attention—the field of foreign trade. Irving (at any rate the Irving that seems to step out of Bentham's pages) was a confirmed mercantilist—even at the end of the century this vital theory which had held the centre of the stage for so long was not yet ready to disappear altogether—and so Bentham's scrutiny of Irving's deposition before the Committee of the House of Lords set up to consider the affairs of the Bank of England tended to widen out into a comprehensive critique of what Bentham, not without justice, summed up as "the doctrine of the balance of trade". Unfortunately, Dumont could make even less of this than of the rest of the material entrusted to him, and he left some pages untranslated, thus creating gaps in the argument which it is impossible to fill in. He has, in particular, badly mauled the mathematical and statistical part of the text; but perhaps the fault was not his. Bentham was more fond of figures than adept at handling them, and what Dumont got was possibly beyond comprehension. All that we can do with the French version that has come down to us is to piece together from it a small independent treatise such as we present below. It is, admittedly, very imperfect; but in view of the subject of which it treats it is indispensable because it rounds off the picture which we are trying to form of Jeremy Bentham as an economist.

Originally, this string of chapters was most likely to have been part of *The True Alarm*, as we have implied. The connection of its ostensible topic, the balance of trade, with the activity of the country bankers, which forms the main matter of discussion, is not far to seek. The country bankers increase the monetary circulation in the country; so do the statesmen who pursue an export policy in accordance with the mercantilistic system of thought. The former pump in additional paper; the latter pump in additional metal; the problem is in either case the same. Nevertheless Dumont seems to have felt that the two aspects of economic life are sufficiently distinct to make it unadvisable to treat both of them in one publication, and so he divided the two lots of manuscripts and put *Of the Balance of Trade* into a separate bundle. We are following his method here and present the discussion of Irving and Irvingism under a heading of its own. It is unlikely that Bentham would have had any objection to this procedure.

The ten short chapters into which this potential pamphlet can

be divided¹ may be distinguished, according to their contents, into three groups. The first is the most extensive, comprising as it does chapters I, III, VIII and IX. It exposes the gravamen of Bentham's attack on the mercantile system: mercantilism is unsound because it is based, not on reason and reasoning, but essentially on a linguistic confusion. Chapters IV and V, which constitute the second group, take the discussion on to a different field. Here the attack is directed, not against the convictions of the mercantilists and their recommendations, but against their statistics. Finally there are chapters II, VI and X which deserve to be scrutinized more carefully because they contain certain modifications of Bentham's point of view and certain qualifications which show that he gave more careful consideration to the problems of foreign trade than might appear from the rest of the pamphlet. Chapter VII stands alone. It is a discussion of Adam Smith's critique of the mercantilist doctrine.

In the first group of chapters Bentham sets to work on the expressions "favourable" and "unfavourable" balance of trade which, critic of language that he was, he makes responsible for the whole string of errors which, in his opinion, disgrace most of the economic literature of the eighteenth century. All English exporters and importers make their profit—otherwise they would not trade and would not grow rich; the same applies to all French or Spanish exporters and importers. And yet people talk of a losing trade and an unfavourable balance of trade! The reason is that the theoreticians of that school concentrate their attention on one commodity only—precious metal. But that, Bentham asserts, implies the conviction that gold and silver have a mysterious or magical extra value in addition to what value they may have as simple commodities—an assumption which a little common sense ought to be sufficient to dispel. Bentham has a fine game drawing all sorts of absurd conclusions out of the basic thesis of the mercantile system (cf. ch. III). Of course, he is less than fair, but this material was to

¹Dumont has fourteen chapters numbered I-IX and XI-XV. His chapters V, XII and XIII are omitted here as obviously more immature versions of other parts of the manuscripts. Chapter VII is obscure; concerning it, cf. below p. 537, *sub* 100-102. Dumont's text has some marginal notes by a third hand which can hardly be classed as enlightening. It is possible that they came from the Rev. Mr. North of Ashdon in Essex, one of Dumont's friends, whose name is mentioned on the title page (fol. 71 of box LI). Unfortunately it is impossible to decipher the sentence of which the words "Mr. North—Ashdon" form the end.

have been part of a hard-hitting piece of pamphleteering when it was first written, and so his use of ridicule is understandable, if not exactly commendable. His most telling argument against the mercantilists is the assertion that they confound cause and effect. It is not true that more gold will bring more wealth, but contrariwise that more wealth will bring more gold into the country (ch. IX)—an important insight. Looking back on this discussion of mercantilism from the vantage point of the twentieth century, it is easy to see that Bentham and his adversaries are really at cross purposes. As Bentham himself says in chapter III: "The term *favourable balance* does not mean the same thing in its political and in its commercial sense." The mercantilists speak as nationalists and power-politicians, Bentham as an internationalist and pure utilitarian; the mercantilists see foreign trade from the point of view of the country as a whole, while Bentham knows no standpoint but that of the individual. No wonder that the doctrine of an Irving seemed to him simple folly!

But it was not only Irving's theory which enraged Bentham—his statistics seemed to him equally unsound. These statistics, which Irving presented to the Lords during the investigations of the stoppage of payment in specie by the Bank of England, and which, as Bentham acidly remarks, were uncritically swallowed by their Lordships as if they were the simple truth, although their unreliability and even absurdity is manifest,—these statistics rest on certain assumptions which cannot be sustained. Chief among them is the tacit belief that all exports are commercial exports. That is nonsense. Diplomacy and war take many a full shipload out of the country for which there is no return, least of all in hard cash. It is due to these miscalculations that there is so much less gold and silver in Britain than there ought to be according to the principles of the mercantilist school. If their assumptions were correct, the country ought to hold about £600 millions' worth of the precious metals. Bentham calculates that there is no more than, say, £100 millions—40 in minted form, 10 in plate, and the rest in unminted form. Ingots do not figure specifically in his computations which, it must be feared, were not as well grounded in the facts and as carefully prepared as they should have been.

Chapter VII on Smith needs no comments. As always, Bentham is the admiring but critical disciple. Perhaps the best thought of this intended pamphlet is to be found in chapter II. Is there not, after

all, some sense in the expression "an unfavourable balance of trade"? Assuming, as we must, that both the English and the foreign merchant make their profit, it is possible that the one achieves a higher *rate* of profit than the other, and to that extent it can be said that one party is more favourably circumstanced than the other. The decisive element will be the relative productivity of the two exchanging communities. The balance must be struck in terms of labour and not of money. Another problem which Bentham tackled with some acumen and with comparative fairness is the question whether a rapid loss of gold and silver, say, for political reasons, may not have serious consequences for the country concerned, so that, in this negative respect, the preoccupation of the mercantilists may not be unjustified after all (chapters VI and X). Bentham acknowledges that a sudden and violent deflation may lead to a series of bankruptcies. If there is less money in the country than before, traders may find it difficult to meet their responsibilities. But these phenomena are outside the "ordinary course of trade" and should not determine either economic theory or economic practice. Again, the mercantilists take the effect for the cause, and the cause for the effect. The loss of gold will be the consequence of a pre-existent evil in such cases, and not the root of the evil.

"DEFENCE OF A MAXIMUM"

The very zeal and energy with which Bentham had thrown himself into the study of the price mechanism and of such kindred problems as the balance of trade was bound to lead, sooner or later, to a definite mental reaction. The day was sure to come when he would tire of the subject and turn his attention to some other topic. It seems that the inevitable crisis arrived at the end of November, or the beginning of December, 1801. By then, he had worked more than a year at *The True Alarm*: no wonder that he was fed up with it. At this juncture the most crying problem of the hour was the scarcity and dearth of provisions in general and bread-corn in particular which had developed since the middle of 1799 and was threatening to bring down on the country all the horrors of famine and mass misery. A whole spate of pamphlets had appeared discussing the situation from every conceivable angle and advocating or rejecting every conceivable remedy. Should Bentham's mouth remain shut while everybody else was speaking up? Should he alone

refuse to play the doctor, while so many quacks were offering their patent medicines?

Perhaps Bentham would not have decided to take part in the discussion if he had not found an adversary worth attacking: but such an adversary offered himself soon enough. It was Charles Long, the friend of Pitt, who has figured in these pages before (cf. vol. I, p. 61). Long published late in 1800 a slender pamphlet under the title: *A Temperate Discussion of the Causes which have led to the present High Price of Bread*. It was in no way remarkable, but it contained an explicit rejection of the demand, voiced by some sections of the public, for the statutory imposition of a maximum price of wheat. Now, Bentham had not, at the outset, been an ardent supporter of that demand: but Long's arguments against it seemed to him singularly unconvincing. He tested them and found them wanting. And as he thought about the matter, he was more and more driven to the conclusion that a maximum law *would* be a defensible measure in the given situation, a measure that would bring relief to many and security to all. So he decided to pen a pamphlet on the subject and to take Long's publication as his starting-point.

The *Defence of a Maximum* is one of Bentham's best literary achievements. It is true that the sentences already foreshadow at times the unwieldy mode of expression characteristic of the older Bentham, and that some of them have to be read twice before they are properly understood. Nevertheless, this pamphlet makes very good reading. It is brisk and direct and does not suffer from that over-elaboration which marred so many of Bentham's later writings. Its strength quite obviously derives from the fact that Bentham wrote it in one go, without allowing himself time for over-elaboration. Chapter 2, which contains the answers to Long's arguments and was set down first, was written (apart from one single page) between December 7 and December 10—in four short days. The rest of the pamphlet was then tackled in the two weeks between December 12 and Christmas Eve. Surely, a record in quick work which, in the case of Bentham, was always apt to mean good work, as undoubtedly it does here.

Long's publication can easily be summarized in his own words. "What I contend for is", he says (*The Pamphleteer*, X, 1817, p. 47 *seq.*), "that the high price of wheat and of bread is not the effect of monopoly and combination—is not the effect of the speculation

of the farmer, the corn-dealer, or the miller—is not the consequence of the war. All these things have their weight in the scale, but it is not great or preponderating. It is the effect of an ordinary consumption considerably exceeding our ordinary produce, and of a produce, in the last and in the present years, much below the average; the price is still further augmented by the increased wealth of the nation, and the consequent depreciation in the value of money. The remedies for this evil of high price are . . . the more limited use of wheat, and a further encouragement to the importation of it, and the extension of our corn land, by the removal of every impediment which obstructs general enclosure; and by taking such measures as would tend to give greater encouragement to the cultivation of arable land. . . . The use of wheat should be prohibited in every mode which does not tend to the food of man; liberal bounties should be offered upon importation. . . . And if it should appear . . . that there is little probability of supplying a great part of that deficiency by the surplus produce of other countries . . . a positive law should in that case limit the consumption, and no wheat should be permitted to be ground without the mixture of a certain proportion of barley or of other grain.”

Against all this, Bentham would have had no objection. But Long tacked on to his main argument a diatribe against the idea of a law imposing a maximum price for grain, and (as already intimated) it was this diatribe which induced Bentham to enter the lists. It is quoted at length and point for point refuted. This refutation is the core of Bentham's pugnacious little pamphlet.

It begins in a rather apologetic vein: Bentham knows that he is advocating a measure at variance with the liberal trend of the time, as well as with his own fundamental liberalism. He submits that past cases of price fixation (many of them admittedly failures and detrimental) cannot be made a valid argument against its possibility or advisability in the future. Much depends upon the circumstances of the time, and still more upon the drafting of the maximum law itself. Circumstances may conceivably occur which are radically different from any ever experienced before: and in such an exceptional situation, an exceptionally well-contrived enactment might well be of considerable service to the community.

Proceeding from the general to the concrete, and still anxious to ward off reproach of an anti-liberal attitude, Bentham explains and emphasizes that the price fixation which he has in mind is not

to be coupled with a statutory obligation on the part of farmers and corn merchants to offer their stocks for sale. Such compulsion is unnecessary. Provided the maximum price allows an ample profit margin, there will be no incentive to hold the grain back. Without a maximum, growers and dealers might indeed wish to withhold what they have from the market in the hope of a further rise of price and profit: but once that hope is taken away by the law, no reason remains for delaying sales. Thus no famine need be feared, if only the price fixed is wisely chosen.

On the question whether the shortage of bread-corn is artificially induced and engineered, Bentham sides decidedly with Long. There probably is no corner or combination. A cartel would neither have allowed the price to fall so far as it has fallen, nor yet to rise as high as it has risen: it would rather have stabilized it, though, of course, at a comparatively high level. It is not combination but competition—competition when the commodity concerned is scarce—which drives the price up to exorbitant heights; in this case the competition is among dealers. All the same, Bentham does not subscribe to the statement “that the interest of the vendor of corn is always the same as that of the public”. It is certainly true at a time of “moderate plenty”; it may still be true when there is some scarcity; but when the scarcity is very great, all is different.

Here comes an aside which is more or less unavoidable in the nature of things: Bentham defends himself against the charge of inconsistency. The *Defence of Usury* had argued *against* a maximum: here there is argumentation *for* one. Bentham rightly points out that he has never been opposed to governmental interference as such, on principle as it were, but only in concrete cases where definite reasons must convince the economist that freedom is better than direction. The rate of interest was such a case, but the price of wheat is a different matter.

Bentham claims that a maximum law for grain would be *good* in a double sense of the word: it would be good—politically good—in so far as it would be popular, and as its execution would be guaranteed by popular support. And it would also be good—morally good—in so far as it would for the first time set up a standard of right and wrong in corn-dealing which would allow a man to know whether he had charged too much for his grain or kept within the bounds of decency.

Now, what can be urged against price control? Long has nine

objections to put forward: 1. Consumption, he says, depends on price: too low a price encourages consumption and makes it too high. Bentham replies that under the British system of poor relief, a rise of the corn price leads to higher poor rates, not to lower grain consumption, as nobody is allowed to perish from want. Hence the argument is vain. In his answer he touches upon the problem known since Marshall as the elasticity of demand, but he does not elaborate it. 2. A statutory maximum price for corn would discourage corn imports, Long asserts. Not as long as the foreign exporters are able to make a sufficiently large profit, Bentham replies, a profit higher than they can reap on their respective home markets. 3. If the given market price is to be reduced, it must be known by how much—in other words, it must be known what figure would be in accordance with the supply situation; but that, Long points out, is not ascertainable. Bentham's retort here is somewhat inconclusive. The argument, he says, would hold good against one conceivable type of maximum law, but not the one which he is going to propose.

Under the next (4th) heading, Long argues that price-pegging would be unfair to the farmer because it would disappoint his expectation of a freely formed price. This argument was sure to be taken very seriously by Bentham in whose thought the disappointment-prevention-principle played a leading part. But he does not admit that any reasonable expectation need be disappointed. It has been the constant practice of Parliament to see to it that the necessities of life do not become so dear as to cause a famine, and so the farmer must always reckon in times of scarcity that legislative steps will be taken to control the price of corn. If he does not, he has only himself to blame if he is disappointed. To Long's 5th objection to a maximum, namely that it would reduce the acreage sown, Bentham replies that this will be by no means the case if the official price is so fixed that a sufficiently large profit remains to the farmer. 6. Now follows a particularly weak argument of Long's. There is always the farmer whose crops fail, he says. If a price ceiling is introduced, the plight of this unlucky man will be made worse. Bentham has no difficulty in showing, with the help of a simple calculation, that the political demand contained in this argument is financially absurd. If the price of corn were to be kept so high that even a farmer whose crop is only one tenth, or, say, one fourth of the average, will "not be a loser"—i.e., presumably, have some

profit—it would have to be most exorbitant all the time; it would, in fact, be quite unbearable.

The next heading—numbered 7—contains the most interesting discussion of them all. Long admits that the farmers' rate of profit has lately been rather high, but, he urges, it must not be forgotten that, in view of the recent bad seasons, their turnover was bound to be rather low, so that a temporary advantage and a temporary disadvantage have more or less counterbalanced each other. Bentham handles this argument with obvious pleasure. If you imply, he says, that the price should always be so contrived that the product of quantity sold and profit attained is equal in every year, you implicitly concede the justice and formulate the principle of governmental price fixation. You have unwittingly spoken for the measure which you mean to oppose.

8. A maximum, Long now contends, tends always to become a minimum. If you allow a man to charge a certain price, he will insist on it. This line of thought seems to Bentham rather ludicrous. Surely, every merchant will at all times insist on the best price he can get, maximum or no maximum; as long as there is competition among the dealers—and there is no reason to assume that it will disappear—the existence of a legal maximum will make no difference to the actual market price demanded and conceded, because it will always be as low as the competitive struggle will make it.

Long's 9th and last point is of a much more concrete complexion than the foregoing eight. The same maximum, he suggests, would not be suitable for every locality; yet it would be administratively impossible to fix a different rate for every place. In answer to this argument Bentham comes out with his practical proposal: let the maximum be "the exact double of the highest ordinary price at the place at which that price is highest". With a maximum fixed in this way, there would indeed be no adjustment to local circumstances; the measure would obviously be a clumsy one: but a clumsy measure would be better than none at all. In Bentham's opinion, nothing could be worse than to let matters drift until the country is plunged into calamity and catastrophe.

Having thus dealt with Long and his arguments, Bentham turns, in a third chapter, to precedents. Should the government decide to impose a maximum, it could base its intervention on an old statute of Henry VIII: no new law would, strictly speaking, be necessary. The assize of bread, the regulation of the salt price,

wage-fixation, and the anti-usury laws also look like apposite precedents and seem to rest on the very principle which would have to underlie a possible maximum for the price of bread-corn. But, Bentham frankly points out, these cases are no *real* precedents: as soon as one looks under the surface, one sees that they are all essentially different from the problem presented by the market in wheat and flour.

By far the most interesting part of this chapter is the digression which reviews, after an interval of fourteen years, the argument of the *Defence of Usury*. Bentham emphasizes that he has nothing to retract: but he adds one new and important point to his old considerations, which shows the question of governmental intervention on the money market in an entirely new light, namely that the fixation of a maximum rate of interest has one great merit which is rather apt to be overlooked: to make it possible for the government to borrow money at comparatively favourable terms. This aspect of the matter, Bentham freely admits, had not presented itself to his mind in 1787. And he goes on to the still more startling admission that this new consideration may well bring him now to approve of a measure which, fourteen years before, he had energetically condemned: "I should expect", he writes, "to find the advantages of it in this respect predominate over its disadvantages in all others."

Chapter 4, headed "Mode of Accomplishment", is the most disappointing part of this otherwise so satisfactory pamphlet. The only point of substance which emerges is the insistence that the fixed maximum (whatever it be) should be known to growers and dealers, so that they can base their dispositions on a firm and stable price-expectation.

The closing chapter is by comparison far more interesting and impressive. A maximum, Bentham explains, is in its nature a temporary expedient and a mere palliative. It may be necessary; it is not sufficient. There are two unconnected sources of the present plight: scarcity and inflation. Both must be tackled by "radical remedies". Inflation is not further discussed; scarcity can only be decisively and permanently defeated by the establishment of magazines and the promotion of emigration—emigration both of capital and hands. The extension of cultivation to lower-grade lands, and systematic importation, with or without a bounty, cannot solve the long-term problem of how to feed the British population.

In advocating magazing (he thinks in particular of the importation and storage of rice through the East India Company), Bentham only repeats a suggestion which he had made before, and which is typical of eighteenth-century thought and policy. The advocacy of emigration, on the other hand, shows a new attitude on his part. Here again he has come to modify a position which he had taken up before: originally, he had been against colonization; now he admits that empire-building may be useful as creating outlets for surplus man-power and surplus capital, two blessings with which the mother country is rather too richly provided. Indeed, he falls into a somewhat lyrical strain: he envisages "the earth covered with British population"—a population drawn "from the best stock"—"rich with British wealth" and "tranquil with British security, the fruit of British law".

If the question is asked, as asked it must be, why Bentham did nothing to publish this pamphlet, the answer, it would seem, lies in the sketchy and indeed incomplete state of chapter 4. Was he uncertain about the "mode of accomplishment"? Or was he just too lazy to elaborate this aspect more fully? We shall never know: but it is a pity that these pages were thrown aside. In their straightforwardness and cogency they remind us of the best that has come from Bentham's pen, of the *Fragment on Government*, of the *Defence of Usury* and of the *Panopticon*. Perhaps this small publication would have brought him more success than any of the voluminous treatises he had attempted or was contemplating. But he did not see his chance: indeed, he never knew what would be best for himself, for his reputation, and for his influence in the world.

THE "INSTITUTE OF POLITICAL ECONOMY"

Already in his second letter *On the Stock Note Plan* written in July 1799, Bentham had complained about the many erroneous notions which had "passed upon" even intelligent readers and admirers of Adam Smith, and expressed the opinion that this sad fact "affords not only a proof how difficult a branch of science political economy is, but also a presumption, that, notwithstanding all that has been done by that illustrious master, an adequate institute of that science is a work for which the demand remains still unsatisfied" (BM. Add. MSS 31235, 13).

The conviction that he himself was called to provide such an

introduction to, and textbook of, economic science must have been growing in Bentham's mind ever since that time. In a way it was only a return to the fundamental idea and intention which had been behind the drafting of the *Manual* in the early 'nineties, and we cannot be altogether surprised that Bowring fused the two masses of manuscript, seeing that they were both systematic in approach and didactic in character. Yet Bentham did not fall back on his earlier materials when he began to write the *Institute*: too much had happened, too much had been learned since then. An entirely new start was necessary.

The papers which were to compose the *Institute* were written in two lots: the first in the thirteen months from October 1800 to the end of October 1801, in spite of all the other time-consuming pre-occupations of that period, and the second in March 1804. There can be no objection to their free combination: they were meant to become one work, they fit together without difficulty, and for once there has been no change of attitude in the interval to mar the harmony between the two sets of manuscripts. Sundry marginal instructions directed to Dumont show that Bentham expected him to usher this book, or rather a French version of it, into the world just as he had done the *Traité de Législation*. Alas! Dumont was no more successful with the work now under consideration than he had been with *The True Alarm*.¹

As it stands, the *Institute* is definitely not one of Bentham's more attractive writings. It is obvious that he tried hard to write as clearly and concisely as possible, but nevertheless the text is not always as easy to comprehend as might be wished. Again, there is good evidence that he did his best to proceed as slowly and as systematically as the didactic purpose of the work demanded, but the various divisions and sub-divisions of the concepts which he introduced make his explanations forbidding rather than attractive because they give the book a somewhat pedantic air. Nor is the exposition altogether well-ordered. Various topics, such as the objects or ends in view, the factors of production, and the relation of money to non-monetary wealth, are taken up twice or even three times, and this repetitiveness is by no means exclusively due to the

¹It seems to have been Dumont's intention to publish his French version of the *Institute* before publishing his *Traité sur les Effets du Papier-Monnoie* (i.e., of course, *The True Alarm*). A stray sheet in the Geneva collection (LI, 291) which is probably part of the intended preface, or possibly a page of the intended text, refers to the latter book as "a subsequent work on the effects of an encrease of the means of circulation".

fact that our reconstructed text is composed of disjointed materials written in different years: part of the blame must undoubtedly lie on Bentham's thought which was as apt to be ill-disciplined as to be over-pedantic.

Still, the table of contents shows a rather tidy lay-out. The subject-matter of economics is divided up into "*the science*" and "*the art*" of political economy, and, in accordance with Bentham's fundamental convictions, more space is given to the latter than is allowed to the former. By way of introduction we have a chapter on "*precognita*" and "*precognoscenda*" which deals with those fundamentals and generalities without which economic analysis is simply impossible; by way of an appendix we get a chapter entitled "*Noscenda*" where Bentham airs his ideas on statistics and endeavours to stimulate further research into the relevant facts. It must be allowed that this general plan of the book at least is both commendably clear and didactically sound.

In the Introduction it is at once taken for granted that political economy is a pragmatistical branch of learning: we are told that it ought to reveal "the most suitable course for the sovereign of a country to pursue" in economic affairs. Then follows a discussion of the ends or objects of all political endeavour: the paramount aim is happiness; happiness consists in the maximization of pleasurable and the minimization of painful feelings; in the sphere of communal life it can be fostered by promoting, in due proportion, four subordinate or instrumental ends: subsistence, security, abundance (or enjoyment in the narrower sense of the word) and equality. The terms "security" and "abundance" are carefully explained and systematically broken down into further, narrower concepts; abundance in particular is distinguished into opulence (material riches) and populousness (wealth in man-power). The mutual relation of these "branches of the common end" is discussed, unfortunately not fully: there is, above all, no word about the problematic character of the ideal of equality, a gap which must be closed by reference to the *Theory of Legislation*. The causal chain which Bentham tries to establish, is simple: security, he urges, leads to opulence; opulence to populousness.

All this is no more than a re-statement of ideas which are basic to, and occur in, all Bentham's books. The same applies to what he says about legislation. Legislation is a necessary evil: it is an evil because it diminishes the freedom of the individual; it is necessary

because without the control and guidance of the legislator the due proportion between the subordinate ends, on which the realization of the end paramount so vitally depends, is not likely to be achieved, or preserved. The legislator must above all see to security which is an absolutely indispensable presupposition of all orderly social life, and even more of the well-being and felicity of the community.

While the why and how is one necessary *precognitum* or *precognoscendum* of economics, terminology is another. The student of political economy, Bentham warns, is up against particular linguistic difficulties. The terms which must be used are familiar, yet in spite of their familiarity, or possibly because of it, they are misleading: they are over-general, in fact all-comprehensive, and may thus cover concepts which are in themselves incompatible and contradictory. Take the word "money", how misleading it is, how unfortunate! If an individual's money is doubled, his wealth is doubled also: if the community's money is increased, its wealth is not increased by one grain. Bentham unravels this mystery caused by the indiscriminate use of one basic term, by showing how the price level in a country depends on the mass of money existing in it and the velocity of its circulation. This *precognoscendum* is, of course, the fruit of Bentham's studies in 1800 and 1801, the fruit of *Circulating Annuities* and *The True Alarm*. It constitutes the most striking difference between the *Institute of Political Economy* of 1804 and the *Manual* of 1795.

In the chapter headed "The Science" Bentham considers the uses, modifications, and genesis of the "matter of wealth". What he has to say here is extremely commonplace. An eighteenth-century flavour lies over these pages. We are obviously still very far from the scientific austerity of Ricardian economics. At the end of the chapter Bentham introduces his great distinction of economic actions into *sponte acta*, *agenda*, and *non-agenda*: *sponte acta* are those economic activities which the individuals composing a community will carry out spontaneously, without urging, without governmental interposition; *agenda* and *non-agenda* are the economic activities of government: in so far as they promote happiness, they are desirable and hence *agenda*; in so far as they do not, they are undesirable and hence *non-agenda*. There is no absolutely "right" distribution of the "imaginable stock of institutions" among these three classes. In some countries, canals and roads are built and corn magazines kept by individuals, and so these activities are *sponte acta* (or, from the

point of view of government, *non-agenda*) : in others, individuals will not provide such services which are yet necessary in the national interest, so that these and similar operations are there and then *agenda*. The more highly developed a nation is economically, the more activities will fall under the head of *sponte acta*, the more backward, the more are *agenda*.

The division of economic operations into *sponte acta*, *agenda*, and *non-agenda* determines also the subdivision of the chapter on "wealth" which now follows, and which is itself a part of the wider heading called "The Art". Bentham develops here his theory of the factors of production—a theory characteristically different from the one brought forward by Ricardo and the Ricardians. He distinguishes three such factors, inclination, knowledge, and power: the will to produce wealth; the knowledge how to produce it, especially the required technical skill; and the power over external things necessary for the purpose. Now, inclination is given in unlimited quantity; it flows spontaneously from the very constitution and nature of man; in consequence it need not be encouraged artificially by governmental measures. Knowledge is very largely the fruit of inclination, so that here again there is very little for the legislator to do. Power, finally, i.e. command over capital and capital goods, is the great limiting factor of production, because it is unavoidably scarce. But it is hardly possible for the government to take active and effective steps for the overcoming of that scarcity, which is simply a natural fact, and so, once more, Bentham concludes that *laissez-faire* is, on the whole and in principle, the appropriate attitude.

In the rest of this chapter there is little that is remarkable. It is rather amusing, but it again has that eighteenth-century flavour of which we have spoken a moment ago, a flavour which is particularly obvious in the passages where mechanical motion is considered and where Bentham displays his knowledge of physics and technology. Perhaps it is just worth mentioning that value is defined as subserviency to well-being and distinguished into categories according to immediateness to, or remoteness from, use—a clear anticipation of the Viennese school.

The most interesting passage in this context comes right at the end of the chapter where Bentham speaks of technical progress. Technical progress brings it about that of a given capital a higher percentage is spent on equipment or the workers producing and serving that equipment (technicians who have comparatively high

wage rates and thus are expensive to keep), while less remains for paying the wages of the hands originally employed in the branch of industry in question. Bentham comes to the conclusion that this will produce unemployment (unless the capital available can be increased) so that opposition to machinery is "well grounded".

The chapter on "*agenda*" opens with the emphatic enunciation of a "general rule" which demands that government ought to keep out of economic life. Interference is branded as both needless and pernicious. As pointed out under "*sponte acta*," government cannot and need not increase the inclination to produce wealth. As far as knowledge and power are concerned, government can certainly do little, but (as we are here told) it can do something: knowledge can be promoted by offering rewards to inventors and spreading the news of their inventions; power by removing obstacles in the way of enterprise, especially legal obstacles: all *male acta* of the past are *agenda* in the present, simply because they are *removenda*.

Encouragements properly so called, positive encouragements, fall of course under Bentham's general ban. They are essentially and unavoidably bad because subsidies presuppose taxes and taxes are coercive, that is, pain-producing and bad. Here again we are presented with a general rule: to estimate the desirability of any government expenditure on a subsidy, its probable use must be compared with the burden of the most obnoxious tax in force, for the simple reason that that tax could be abolished if it were not for the encouragement so bestowed. This severe test seemed to Bentham the most realistic and the most just. How much of modern government spending would have to be abandoned were this iron rule to be consistently applied today!

While he thus rejects nearly all legislative measures ever applied for the purpose of promoting wealth, Bentham allows that governmental interference may be necessary to ensure subsistence and security. "Matter of pure enjoyment" may legitimately be diverted from the sphere of luxury consumption and transformed into "matter of subsistence" or "matter of defence". Magazining, for instance, is a well-worth-while sacrifice of enjoyment to security in point of subsistence, while the Navigation Act may be quoted as a typical sacrifice of enjoyment for the sake of defence.

After all that has been said, a chapter on "*non-agenda*" is not, strictly speaking, necessary. All *sponte acta* on the part of individuals are, almost by definition, *non-agenda* on the part of government. If

Bentham devotes a number of pages to this topic, it is mainly to present a series of illustrations taken from life. He distinguishes "broad" and "narrow" measures: broad measures are out to increase national wealth in all its forms; narrow measures are trying to foster certain concrete industries under the impression that they are intrinsically more profitable than others. Among the broad measures, he singles out four for special treatment: 1. Forced saving, i.e. the forcible reduction of consumption by taxes whose yield is transferred to the capital account of the community. Such forced saving, Bentham urges, is oppressive and unjust: it is also economically unnecessary, as there is always a spontaneous accumulation of capital sufficient for all needs. The one and only case in which taxation of consumption for the purpose of creating capital is justified is the repayment of a public debt. 2. Applying the stimulus of inflation. By pumping more money into circulation, production can indeed be boosted, but while money is increasable *ad infinitum*, real wealth is severely limited by the productive capacity of the country. As inflation is essentially a tax on fixed incomes, this case coincides, in the last analysis, with that of forced saving, except that the mode of taxation practised is much more onerous. 3. Cheap money policy. A forced reduction of the rate of interest is again a sort of tax, namely a tax on lenders—a direct tax this time, not an indirect one like inflation. This measure, Bentham urges, would not increase capital: indeed, it would rather decrease it by driving it out of the country to places where a higher rate of interest is permitted. 4. Colonization. Bentham's argument here is particularly simple: transport is expensive; if a thing is brought from a distance which could just as well have been obtained from a nearby source, there is waste; colonies are always far away; hence they are economically unjustified. He lays great stress on the burden of taxation for which they are responsible, but he admits on the other hand that they are useful as dumping places for surplus population, and also for surplus capital where there is such a thing. In opposition to the prevailing opinion Bentham argues that the colonial nexus is more advantageous for the colony than for the mother country: in view of the cultural advancement of a country such as Britain, it is in the interest of a colonial territory to remain as long as possible under her tutelage so that it may benefit by her high standards and lofty values. In these pages, the Tory in Bentham comes to the surface once again, perhaps for the last time

in his life: ten years later he would probably have been ashamed of these passages and disowned them.

As far as narrow measures are concerned, the discussion does not descend to the level of concrete examples but keeps to generalities. Bowring closed this gap—if it is a gap!—by utilizing materials written in 1793 and destined for the *Manual*. Once again, Bentham's argument is extremely simple: encouragement to one branch of industry, he points out, is discouragement to all others because if it directs capital into one channel, it must draw it off from all the rest. In particular, grants given to someone are taxes taken from everybody else: hence positive financial support is really forced frugality under a somewhat changed appearance. Bentham here proves himself a staunch free trader: like all free traders, he has only one song to sing. Governmental interference is either unnecessary or mischievous: unnecessary if the favoured branch of industry is a profitable one, and mischievous if it is not.

After discussing wealth, Bentham turns to a consideration of the population problem. Increase of population, he explains, is in itself desirable because it widens the circle over which happiness can be diffused, and also because it strengthens national defence. Nevertheless, it is not a fit object for a deliberate policy: on the one hand, it results spontaneously from every augmentation of the means of subsistence available to a community, on the other it cannot be carried beyond that limit by any conceivable measure of government; hence we are definitely moving here in the sphere of *non-agenda*. The one thing needful, as far as the growth of population is concerned, is a typical *sponte actum*. The government can, however, prevent an unnecessary decline in population by fighting disease, accidents, and other causes of premature death. Thus there are, after all, some *agenda*, such as poor-houses, hospitals, health schemes and such-like *desideranda*.

The subject of finance occupies the last chapter of the wider heading called "The Art". The operations which make up what we call public finance are all *agenda* because nobody would normally help to finance the government by voluntary contributions: there just are no *sponte acta* of this kind. Unavoidably, all financial operations result in a diminution of national wealth. The aim of a good financial policy must therefore be to keep the burden on the community as small as possible. Taxes are essentially sacrifices—sacrifices that are justified because they promote a higher good—

security—at the expense of a lesser good—enjoyment—but sacrifices ought never to be imposed unless they are clearly unavoidable. The choice among the various modes of taxation is thus a choice among evils. Bentham regards indirect taxes as relatively the least obnoxious because they can be collected with less vexation to the taxpayer than direct ones.

A special sub-heading is devoted to the discussion of the Sinking Fund. The idea that repayment of the public debt is the soundest and most effective way open to government of promoting national wealth is emphatically repeated here: it had obviously grown into one of Bentham's firmest convictions. He admits, of course, that the capital poured by the Sinking Fund into economic life had first been drawn out of it. But as the repayments are always in excess of the sums actually got in by government at the time of borrowing, there is a tangible gain to the capital stock of the national economy, and that gain is the greater, the more unfavourable to government the terms of the respective loans have been. Some not uninteresting considerations on the rate of capital formation close the chapter.

The Appendix to the *Institute* is headed "*Noscenda*". Bentham deals here with statistics; statistics are either *data* or *danda*, i.e. either available or to be desired. *Data* should never be withheld, on the part of government, from interested individuals; indeed, they should always be made available to the public at large, if it can be done without too much expense. Bentham supplies a list of the facts which he wants to see recorded and thus prepared for statistical investigation. It is a short list, but we can be certain that it is not meant to be exhaustive.

If we survey the *Institute* as a whole, as it is put together from the manuscripts in the present edition, we see quite clearly that Bentham was for once within an inch of final achievement: the pages written in 1804 were essentially a filling-in of the gaps left over from 1801, and one short month—in fact, a part of one short month—had sufficed to supply practically all that was still wanting. Even so, Bentham found it impossible to finish this book: he had not enough energy left to cover the last inch of ground. A letter to Dumont of March 22, 1804, clearly indicates that his interest in economics is fading out, and that an entirely different set of problems is beginning to attract his attention: "I had been working at, and thought to have finished, a concise view of the influence of money

in [*sic*] the encrease of wealth, as a specimen of the '*Praecognita*', preparatory to the practical part—the *Agenda* and *Non-Agenda*. But, just now, I have got returned from Trail my Thornton and your Wheatley; and I see few ideas in my papers that are not to be found somewhere or other in their books. What I could hope to do would be little more than substituting method to chaos, and keeping clear of contradictions, which are to be found in both, but more particularly in Wheatley, who, immediately after recognizing (from Thornton) the mischiefs of a too contracted circulation, and adding, (and truly,) I believe from himself, that they would be worse than those of a too enlarged circulation, comes plump to the conclusion that all country paper ought to be prohibited by an operation nearly, if not altogether, instantaneous. The moral is—that I should go quietly back to Evidence, of which already I have left scarce the smallest corner altogether unexplored, after discovering a multitude of odd corners in it which no lawyer ever noticed. Were I to die immediately, the loss would be great to Evidence¹: if half a year ago, *quitte amour propre*, the case would have been different." (*Works* X, 413.)

It is certainly not surprising that Henry Thornton's *Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (1802) and John Wheatley's *Remarks on Currency and Commerce* (1803) made a favourable impression on Bentham. But is it not quite unlike him to point to the productions of other men and say that they made his own pen unnecessary? He had read Thornton as early as 1802; he had admired the work already then, but he had not felt at that time that it made his own intervention in the discussion superfluous. On the contrary! "This is a book of real merit", he had written to Dumont. "A controversy with him would be really instructive. I have tumbled it over but very imperfectly, that not being the order of the day, and for fear of calling off my attention, and absorbing my capacity of exertion. But one of these days I may not improbably grapple with him. Admitting all his facts, with thanks,—agreeing with him in almost all his conclusions—but disputing with him what seems (as far as I have as yet seen) to be his most material conclusion, viz., that paper money does more good than harm. Here is a book of real instruction, if the French are wise enough to translate it: the style clear, plain,

¹Bowring prints: ". . . the loss would not be great to Evidence", but that can hardly have been Bentham's text, let alone his meaning.

without ornament or pretension; the reasoning close." (*Works* X, 389.) In 1804, there is no longer any question of "grappling" with Thornton, but Thornton's name is used as an excuse for no longer "grappling" with economics at all. Bentham was a brilliant man, but he was all his life a little like a child that plays with a favourite toy for a time but then throws it aside and forgets about it, whatever its attractiveness may have been in the past.

To drop political economy altogether was probably a foolish thing on Bentham's part. Just then his fame as a writer on the subject was spreading to the four corners of the earth, as can be seen from the following letter of Count Michail Speranski at St. Petersburg to Etienne Dumont at Geneva: "We are very glad to have the addition respecting *Political Economy*; for, by the extent of its views, the clearness and precision of its classifications, and the systematic character of its arrangements, it is eminently valuable. The desires which Necker expressed to you would have been fully answered had he seen this chapter. For nothing is more true than your observation as to a want of system in this part of our knowledge. Adam Smith has furnished us with inestimable materials. But, as he was more occupied in proving and deducing from experience the truths he established, he did not think of making a *corps de doctrine* out of them. The more closely he is examined the more obvious is the want of method; but those who have come forward to supply it have thought they accomplished the end by omitting some details—shortening some digressions, and giving another arrangement to his materials: so true it is, that among so many workmen, the architect is wanting. I believe that in following the plan of Mr Bentham, Political Economy would occupy a position much more natural, more easily to be studied, and more scientific. You may thus judge the value I attach to the promised work. The specimens of Bentham's work, which have been printed in the *Journal de St Pétersbourg*,¹ have been most warmly welcomed." (*Works* X, 416.)

There is no reason to suppose that such admiration was less than genuine. But fame of this sort had little attraction for Bentham: producing books, however instructive, was not, in his opinion, "being useful". In 1786, before he had begun to write about economic subjects, George Wilson, the best friend he ever had, had urged on him "that the way in which you are most likely to benefit

¹See below, p. 545.

the world and yourself is, by establishing, in the first place, a great literary reputation" (*Works* X, 164). He had been deaf to this wise and well-meant argument then: he was deaf to it now, when mankind at large seemed to repeat it.

THE WRITINGS OF 1820-21

After March 1804, economic topics cannot have occupied more than a small corner in Jeremy Bentham's life and thought. We do not know, of course, whether they figured more prominently in his table-talk, but it is unlikely that they did. His biographer has handed down to us only one memorable remark which, however, is not without spice. "I was often *tête-à-tête* with Ricardo", Bentham is reported to have said. "He would borrow a sixpenny book instead of buying it. There was an *épanchement* between us. We used to walk together in Hyde Park, and he reported to me what passed in the House of Commons. He had several times intended to quote the 'Fragment'; but his courage failed him, as he told me. In Ricardo's book on Rent, there is a want of logic. I wanted him to correct it in these particulars; but he was not conscious of it, and Mill was not desirous. He confounded *cost* with *value*. Considering our intercourse, it was natural he should give me a copy of his book—the devil a bit!" (*Works* X, 498.)

There was only one brief revival of Bentham's interest in economics, and that occurred in 1820 and 1821. By that time it seemed for a passing moment as if he had found at long last what he had sought all his life, a country that was willing to listen to what he had to say. The country was Spain where, as Monsieur Halévy has told us, "Bentham became a kind of demi-god" (*The Growth of Philosophic Radicalism*, Engl. ed. 1928, 297). His books spread through the peninsula; his thought and principles spread even faster and wider; he was *the* philosopher of the hour. Even official recognition was not wanting, and it must have contributed in great measure to that "boundless happiness" which, we are told, filled his heart in those days (cf. *Works* X, 539, and XI, 19 *seq.*). Now, Spain was a country that needed advice, and needed it badly. It needed advice on all sorts of matters, and on economic matters among others. There was, then, a call of duty for Bentham to which he could not be deaf. That is the reason why he returned, after an interval of some sixteen years, once more to the science of economics. Not that the

output was very great or very distinguished. Bentham was old now, afflicted with bad eyesight, and had developed a mind ulcered and filled with prejudice. But he made an effort, and that effort is in itself a sign and proof of continuing vigour and vitality.

The first lot of manuscripts which Bentham remembered and dug out was the Annuity Note proposal—an interesting indication that this scheme had had deeper roots in his heart than any other. We have printed in the Introduction to vol. II the historical account of it which he penned in 1818. Two and a half years later, in December 1820, when his prestige in the Iberian peninsula was at its height, he sat down and began to draft a treatise entitled *Paper Money for Spain*. Its subtitle announced that it was to treat “of paper money in general; its nature, uses and abuses; of the particular species of paper money here proposed; its uses with reference to the commercial world in general, and the present situation of Spain in particular”; as also of the “obligations proposed to be attached to the emission of it” and the “particular form proposed to be given to it” (U.C. box XXII, 263). Unfortunately, Bentham does not seem to have got further than the first three chapters, and even those he made very brief. They contain nothing concrete about “the particular species of paper money to be proposed”; they only indicate, in a vague and implied sort of way, that it was to be a depreciation-proof kind of currency. Had Bentham in his mind the vision of a circulating annuity as proposed in 1800, yet proof against the dangers of inflation as exposed in 1801? Who can tell! The fact is that these pages by themselves show no ideas that were not already part of Bentham’s thought in, say, 1804. Still, as one of the last essays in economics he ever wrote, they are perhaps just worth including in the appendix to this edition (cf. below pp. 518–521).

The only literary project of this late period which matured into a publication is the pamphlet called *Observations on the Restrictive and Prohibitory Commercial System* printed in 1821. It does not recommend a future reform: it censures an enactment that had just been passed. In July, 1820, the Cortes had introduced what Friedrich List was later to call an “educational tariff”: they had put on import duties which were to protect the as yet tender plant of a native Spanish industry. Bentham had no sympathy for such a policy: he hardly grasped the aims and the motives of it. He felt that his “beloved children” had gone wrong, and that it was his duty to put them right.

On the title page of this small booklet appears an ominous statement to the effect that it is taken "from the manuscripts of J. Bentham by John Bowring". It is difficult to see what exactly these words mean¹, but, whatever they mean, we have no right to assume that the *Observations* contain anything but Bentham's personal and considered opinions. He would not have allowed anything else to be launched out into the world under his name. On the face of it, Bowring (an acknowledged authority on Hispanic affairs) contributed nothing but an introduction.

As the reader probably knows, John Bowring was the *confidant* of Bentham's closing years, and later on his literary executor. Even this short introduction proves that he was fit to be neither the one nor the other. He was not fit to be Bentham's *intimus* because he did not understand his philosophy, and because he would not have been in sympathy with it if he had understood it. He says here that the practice of protection is "in defiance of the benign council of the moralist" (p. IV) i.e. of the preacher of altruism, and declares that "no system of commercial policy can be ultimately beneficial which is reared upon the selfish principle alone" (III). Not a very suitable introduction for the work of an author whose fundamental tenet it was that egoism is both legitimate and unavoidable in all things—in fact, the only spring of action that exists! But if he did not grasp the gist of Bentham's thought, he knew still less how to handle Bentham's manuscripts. He tells us without a blush that he "had originally intended the re-organization of the following pages" (a design which was fortunately not carried out), and that he had "ventured to blend with the original matter a few practical and local observations which have come under his personal cognizance" (V, XI). His attitude was quite clearly that Bentham's papers were his private property with which he could do as he liked—the attitude which led to his "re-organization" of the *Deontology* and the disgraceful character of the *Works*. Nor was his highhandedness counterbalanced by care and conscientiousness. Sentence 1 of "Mischief 5th" (below p. 393) shows that he did not trouble to correct Bentham's slips even where he had left a sentence fragmentary

¹All the University College collection contains is a brief summary of Bentham's text in the hand of an amanuensis, with a very few autograph corrections (XXII, 268–274). It is dated "July 1820" in Bentham's own hand and "16–27 Jan. 1821" by the amanuensis, which probably means that the printed text was written on the former date, and the excerpt made on the latter.

and unfit for publication—probably he considered it too much trouble to read the text with the requisite attention!¹

Bentham's argument in this small pamphlet is easily summed up. The Spanish Decree of July 1820 intends to foster Spanish industry at the expense of its foreign competitors. But all such measures are either useless or mischievous—useless if the home-made article is cheaper or better than the imported one, mischievous if it is not. An import prohibition, Bentham declares, can have three effects: 1. if it is obeyed, and the home-made article is purchased by the consumers, while the foreign is shunned, the consuming public must concede a rise of price which is a real sacrifice to them; 2. if it is obeyed, and the foreign article is shunned, but the home-made one is avoided at the same time, because it is too shoddy or too dear, there is again a sacrifice on the part of the consuming public—this time not in cash, but in comfort; 3. if the prohibition is disobeyed, smuggling will flourish, the article concerned will become more expensive because it will be more difficult to procure it, and the result will again be a financial sacrifice as in case 1—only with the difference that the party benefited are not the home manufacturers but the bandits of the Pyrenees. Whatever alternative you consider, it is regrettable; and there is always the danger of retaliation from the outraged foreign country whose produce is suddenly denied a market to which it has been accustomed, and which it has come to regard as its own.

Bentham considers next the "mischiefs" of the prohibitory system. He enumerates eight of them: 1. dearer goods are substituted for cheaper ones; 2. goods of inferior quality are substituted for goods of superior quality; 3. the volume of foreign trade is reduced and export will suffer; 4. import duties are lost and the public purse deprived of one of its sources of supply; 5. law-breaking in the form of smuggling is stimulated; 6. discord is sown between the favoured districts and the rest of the community; 7. the ill-will and the enmity of the outside world are aroused; and 8. a tension is created between the "ruling and influential few" who have insisted on the restrictive measure, and the great bulk of the people—the consuming interest. Bentham does not admit that there is any "*per*

¹Another serious omission is the failure to choose between alternative versions where Bentham provided them for his editor to choose from. Bowring prints (under "Mischief 2nd"): "Amount of loss unsusceptible of calculation—incalculable." What Bentham wanted was that his editor should *either* print "Amount of loss incalculable" *or* "unsusceptible of calculation", but certainly not both.

contra good" to counterbalance and justify this "mass of mischief". He discusses briefly the problem (later so ably raised by List) of the educative effect of import restrictions on new industries, but he is unable to see anything in the argument. This is one of the passages which demonstrate how barren Bentham's economic thought had become. Thirty years or so before he had been very near to developing the theory of List before List—now he is far away from it. "Encouragements with regard to commerce" he had noted down in a short sentence which the Dumont papers have brought down to us in a French guise, "never have the efficacy which is attributed to them, *except perhaps in the first stages of a new branch of industry*".¹ And in another note of the same period he had expressed the opinion that taxes on imports "should not be diminished to the point of stifling a nascent domestic industry" (Geneva collection LI, 283 and 285). Now he is simply insisting on a cut-and-dried principle, as dead as all cut-and-dried principles are ever condemned to be.

The third and last chapter on the "causes" of the prohibitory system is not very interesting for the economist because it is mainly political in content and drift. It throws, however, some light (if only incidentally and implicitly) on Bentham's social ideal—the petty-bourgeois ideal of a society of small producers.

Taken all in all, the old Bentham was a typical nineteenth-century liberal in economic matters. But he was a liberal of the socially progressive variety, not a doctrinaire who would have sacrificed everything on the altar of the dead and deadening principle of *laissez-faire*. There is an entry into his memorandum book for 1818–19, which, short though it is, proves that Bentham was still what he had ever been: a fighter for reform, a man for whom the welfare of the people was the only decisive consideration. "Oppression [is] well exemplified by anti-combination and anti-emigration laws", he writes. "Anti-combination acts prevent men from earning subsistence at home; anti-emigration acts from earning it abroad: both join in driving men into the poor-house and suborning suicide" (*Works* X, 509).

There are also a few passages in the *Constitutional Code* to which a general survey of Bentham's economic work such as this should perhaps draw the reader's attention, notably the chapters on "financial law", on the "preventive service minister", the "indigence relief minister", the "trade minister" and the "finance minister".

¹Our italics.

Yet the very content and quality of these passages, and the general scarcity of economic matter in what was the *magnum opus* of Bentham's old age—particularly considering that it was meant to be a comprehensive investigation of political life in all its departments—only serve to show how far he had drifted away from the subject which had held him enthralled at the height of his manhood from 1786 to 1804.

BENTHAM'S PSYCHOLOGY AND ITS RELEVANCE FOR ECONOMIC ANALYSIS

Bentham's economic writings in the narrower sense of the word are by no means the only contribution he made to economic thought. In fact, his main influence on later developments has been exercised through his non-economic works which contain a considerable number of statements and ideas on which later economists have built, especially those of the marginal utility school, whether they acknowledge their indebtedness to utilitarianism or not. The more important of these statements and ideas are collected here under the title "The Psychology of Economic Man" because they purport to explain, in a scientific manner, the motives of economic behaviour and the springs of economic action. This anthology has been placed at the end of the present work because such passages lie outside the area which Bentham himself would have designated political economy, although he would not, of course, have disputed their relevance for economic science.

The very definition of man put forward by Bentham is interesting for economists and has been accepted by many of them. To Bentham man is not a political animal, as to Aristotle, nor a knowing creature, as to Linné, nor yet a tool-making being, as to Bergson, but essentially a pleasure-seeking and pain-fleeing animal, a being in conscious and constant pursuit of happiness (cf. I). Bentham thought it unnecessary to demonstrate the realism of this view of man: the predominance of self-regard over all other impulses is simply a matter of universal knowledge and self-knowledge, and may be stated in the form of an axiom: but if further proof be wanted, it will be found in the very survival of the race: nature could not have ensured it more effectively than she has done by rendering every one an egoist (cf. II).

Egoism, then, is natural, not in the vague sense in which the term

is often used, but in a definite and full sense. All men's actions are due to their inborn desire to increase their happiness, i.e. to secure pleasures and ward off pains—in other words, all men's actions are motivated by their interests. Bentham carefully explains what he means by interests, and shows how they direct the will (cf. III), but he is at pains to point out that his concept of interest is not that most commonly found—a narrow and confined interpretation of the word, which almost equates it with pecuniary interest—but an unprejudiced and wide conception which includes everything in which man may conceivably be “interested”—everything to which a man's “interest” may conceivably be drawn (cf. IV).

If the term “interest” is taken in this neutral and, as it were, omnivalent meaning, it can explain the so-called altruistic actions just as well as the so-called egoistic ones. To Bentham, the contrast between unselfishness and selfishness seemed utterly unreal. If a man acts, in the traditional sense of the word, unselfishly, it may be due to a sentiment of sympathy for the person whom his action benefits: he will then participate in the pleasure which his sacrifice has created, and that means that the pain of the sacrifice will be over-compensated by the pleasure of participation. But sympathy, though it figures in Bentham's *Table of the Springs of Action*, is not the concept by which he habitually explains what people call unselfishness. Is not so-called unselfishness simply a means to an end? a price which the individual pays in order to secure the good will, and the good services, of his neighbours? Bentham did not believe in *genuine* self-sacrifice, self-sacrifice devoid of a desire to gain prestige or power or some other selfish gratification: to him man is and remains a born egoist (cf. V and VI)—an egoist not only in his deeds, but even in his very thoughts.

Bentham realized that this unpalatable picture of the human mind and its motivation would meet with determined resistance. Is man really as selfish as he tries to make out? To forestall such criticism, Bentham tried to account for the anticipated general unwillingness to accept any psychology that explains all human behaviour as egocentric. Society praises anything that looks like self-sacrifice: it severely condemns anything that openly indulges self-gratification. Is it surprising, then, that men—even when philosophers—turn away from the contemplation of their own incentives whose exposure would only expose their own shame? (cf. VII). The desire of self-preservation is usually with good grace

acknowledged as legitimate: but the desire of gain is really just as natural and just as ineradicable, and the sage ought to face this simple matter of fact (cf. VIII). He ought not to be so hypocritical as the general public which speaks with approbation of industry and the love of labour, when it really means, or rather can only mean, the drive for personal enrichment: surely, there is no such thing as a love of labour for its own sake? If men sacrifice ease for exertion, they do it for a purpose, but that purpose they do not care to avow (cf. IX).

It will be interesting here to follow Bentham for a moment into his political science and sociology, to show the wider applications and implications of his psychology of economic man. In politics, his contention is that the governors, if they remain unchecked, will rule for their own benefit, and not for the benefit of those over whom they rule. If a man is called public-spirited, see whether he is not actuated by a love of glory which will ultimately put political power into his hands and thus amply recompense him for his sacrifices! (cf. X). The truth is that a politician is torn between two incentives: he wants to promote the happiness of the community of which he forms a part; and he wants to promote his own personal happiness. These two desires clash all along the line: only think of his salary! Public interest demands that it should be as low as possible; private interest demands that it should be as high as possible. It cannot be a matter for surprise that private interest, being more immediate and quantitatively stronger, regularly wins (cf. XI). That Bentham means what he says is clear from his contention that even the decision between peace and war is for the statesman simply a business of calculation (cf. XII). Nor are parliaments in that respect better than despots; if anything, they are worse than demagogues (cf. XIII).

Such is Bentham's idea of government: his idea of society is of the same cast, and both rest on his fundamental psychological conceptions. If men are always actuated by selfish considerations, society must be essentially a war of all against all. Occasionally the idea of sympathy appears, to introduce a lighter streak into the picture (cf. XIV)—but only very occasionally: usually it is painted black on black. Men are competitors: their lust for the pleasure-giving things of the earth is immense, while, on the other hand, the number of the same good things is very small: the result is a clash of egoisms, bitter in proportion to the intensity of the

greed and the scarcity of the good things desired (cf. XV). Antipathy results from this unfortunate situation which engenders a dismal wish to see others as straitened as we are ourselves (cf. XVI). Social life is only possible if the human beast is forcibly repressed (cf. XVII). Society is to Bentham not a natural phenomenon, but an order established in the very teeth of nature.

In spite of all this, Bentham was unable to exclude the possibility of pure philanthropy altogether. After all, was he not a pure philanthropist himself? Hence we find altruism, in the narrowest sense of the word, admitted in some connections, for instance in the highly emotional letter "to his fellow citizens of France, on Houses of Peers and Senates" (cf. XVIII). But it would be wrong to infer from such-like passages that Bentham was inclined to give up his egocentric doctrine of man, or rather his doctrine of the egocentricity of man. Unselfishness, though possible, is rarer than insanity, he insisted (cf. XIX). In fact, it was to him akin to insanity—a freak of nature rather than anything else, one of those specious exceptions that confirm a general rule. The cases where social interest predominates over self-regarding interest are practically a negligible quantity in the economy of nature and in the statistics of society (cf. XX), and all practical policy, as well as all theoretical speculation, must be firmly based on the axiom that self-regard is the paramount trait of man (cf. XXI).

This rapid survey of Bentham's psychology has, it is hoped, exposed its general character. But the foregoing quotations have only shown it in its unsophisticated popular aspect: it appears also in a more severely scientific form, and then its possibilities and implications become still more obvious. Hence we must retrace our steps and return once more to the starting point, the axiom that all human existence must be understood as a quest for happiness, and follow again the development which Bentham gives to this principle, this time in a more technical vein.

What precisely is the meaning of the statement that men's constant endeavour is to increase their well-being? It means, if it means anything, that they tend to maximize the sum of their pleasures and to minimize the sum of their pains. All psychological phenomena, whatever their current description may be, are therefore, in the last analysis, reducible to this calculation and comparison of positive and negative magnitudes (cf. XXII). Will it be said that there are impulsive actions which are not preceded by

any such computation? Even passion calculates, though in a somewhat confused way. And then, passion is not a habitual mode of action. When they set about their everyday work, for instance, when they do business, all men cast up a balance of the pleasures and pains involved, and they are very careful about it (cf. XXIII).

This casting up of a mental balance sheet before action is taken can be further explained by investigating the dimensions, as it were, of pleasures and pains. What factors determine their magnitudes, i.e. their value—in other words, the figures which appear in the account of probable loss and gain? Bentham enumerates these factors, and it is not unlikely that he regarded this part of his psychology as his prime achievement. A pleasure (or, *mutatis mutandis*, a pain) is the greater, the higher its intensity, its duration, its certainty, and its propinquity. Apart from these basic considerations, its estimate is also influenced by its fecundity and purity, that is, the likelihood that it will give birth to further pleasures (or pains), and the unlikelihood that it will give birth to later pains (or pleasures). The last two elements refer, however, to the *act* by which a pleasurable or painful experience is produced rather than to these experiences in themselves (cf. XXIV).

This is the way in which the mind of man estimates the value of pleasures and pains. As a rule, these estimates remain inarticulate: they do not mature into definite figures. There is no need of figures, because in practice the calculus of pleasure and pain is essentially a guide to action, and action can be taken as soon as it is clear which value is greater, without exact comparison of the magnitudes involved. But, Bentham points out, the quantification of psychic experiences can be perfected, and concrete numbers indicating mental valuations can be produced: indeed, they are produced every time a money-price is mentioned. Money is the best scale we can get for measuring pleasures and pains. If, *caeteris paribus*, two men equally circumstanced lose the same sum of money, we can safely assume that they lose the same amount of happiness, although the one might have bought books with it and the other drink (cf. XXV).

This conviction that money measures psychic experiences is carried very far by Bentham. Every pain, he claims, is capable of measurement, because every pain is capable of compensation. Even the suffering connected with a mutilation of the body may be

assessed in hard cash, though only the sufferer himself can say at what sum equivalence is reached (cf. XXVI, XXVII).

This last point leads at once to an observation of supreme importance. Money may be a measure of pleasures and pains, but it is not an *objective* measure like the yardstick which is the same for all men: it is a measure modified, not to say marred, by a high degree of subjectivity, because it is *not* the same for all men. All men might conceivably agree to a certain mutilation of their bodies for a consideration, but it would take a much higher sum to induce a rich man to submit to it than a beggar. A beggar might allow his ears to be boxed for a pound: it is doubtful whether a million would be sufficient for a nabob. The reason is that the value of the monetary unit is not the same for all: it is high for those who have little property, and low for those who have much. Hence it is—to return to the example put forward above—that the pain due to a loss in cash is only the same in quantity if the two persons concerned are equal in wealth. If they are not, the richer must lose more than the poorer, in relation to his property, if his suffering is to be the same. It is the *relative* amount that counts, not the *absolute* (cf. XXVIII).

This observation, which is now known to economists as the diminishing marginal utility of money, is full of far-reaching practical implications. If it is true that a shilling means much to the poor and little to the rich, it is the rich who should pay all taxes, not the poor: the loss they incur will cause less pain than taxation to the same nominal amount would cause in the breasts of their poorer brethren. In fact, Bentham's conclusions are radically egalitarian, and it is difficult to see how anyone can avoid them who has once accepted the basic tenet of a utilitarian psychology (cf. XXIX, XXX).

But the principle of diminishing marginal utility applies not only to money. It applies to all gratifications: in each case, "by high doses of the exciting matter applied to the organ, its sensibility is in a manner worn out". Bentham notes the universality of the fact (cf. XXXI), although in his thought, naturally enough, money, or rather income and property, are in this connection the instances of prime interest and importance.

With these considerations we are already right in the centre of the economic theory which, after 1870, swept the whole world and converted nearly all economists. It cannot be doubted that

Bentham's mind was one of its ultimate sources of inspiration. But he anticipated not only Menger and Jevons and Marshall: we find in his books even the germs of such a detailed doctrine as Boehm-Bawerk's explanation of the rate of interest. If the value of a pleasure in prospect depends, not only on its intensity and duration, but also on its certainty and propinquity, it is the smaller, if estimated at the present moment, the more uncertain and the more distant it appears. Thus there is room, on the one hand, for a risk-premium, and, on the other hand, for that "agio" which is the key-idea of Boehm-Bawerk's "positive theory of capital" (cf. XXXII, XXXIII). Another striking anticipation (though put forward as a matter of technology rather than of economics) is Bentham's division of goods into those of the first order, which are ready for immediate enjoyment, and those of a higher order, which are in some degree remote from direct use (cf. XXXIV). These small points prove perhaps better than anything else how fully modern economics was pre-figured, and how far it was prepared, by Bentham's utilitarian psychology of economic man.

THE TRUE ALARM

THE TRUE ALARM

A VIEW OF PAPER MONEY,
ITS GOOD EFFECTS, BAD EFFECTS, AND THEIR REMEDIES,
AND ITS CONNECTION WITH REAL WEALTH

[RE-TRANSLATED FROM THE FRENCH VERSION OF E. DUMONT]

1801

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SUPPLEMENT. THE EXTENT OF THE RISE OF PRICES [AND OF THE LOSSES AND GAINS
CONNECTED WITH IT]

BOOK I. PRELIMINARY CONSIDERATIONS. OF WEALTH CONSIDERED
IN ITS MODIFICATIONS, ITS VALUE AND ITS SOURCES

Introduction.

THE value of money is at present (in 1801) only half of what it was forty years ago: in forty years it will only be half of what it is at present.

These two propositions constitute the basis of the present work and of the measures indicated therein to obviate this evil. They are not given here as perfectly exact: it suffices that they express with approximative truth the depretiation, which in itself is not a matter of doubt.

The study and knowledge of the *past* depretiation is important only with regard to depretiation in the *future*. I have reason to believe that it will go on in an encreased ratio if means are not found to arrest it.

Encrease of prices and depretiation of money are but two different ways of expressing the same fact.

There are several common hypotheses to account for the encrease in prices. Sometimes the bad harvests have been accused, but then this is only a passing influence. It is more generally imputed to taxation, and the operation of this cause is incontestable, but it is far from sufficient for the explanation of the whole phenomenon, and anybody may observe that the most essential articles of consumption, grain, fodder, coal, and butcher's meat have encreased in price without having been the object of any direct tax. It is attributed to the augmentation of the means of circulation, to the multiplication of paper, and, according to all investigations which I have been able to conduct, it is here that the grand cause and the true cause must be sought which explains the past depretiation of money and prepares its future depretiation.

On the other hand, if there is a circumstance which may serve as an indication of national prosperity, it seems that it is above all the advantageous state of pecuniary credit as it manifests itself in the encrease of paper money.

Good faith is its foundation: real and substantial wealth is its result. It is a subject of national pride, whether we turn our eyes to its origin or let them rest on its effects.

But it is not an unmixed good: it implies an actual evil which perhaps exceeds the good, and a danger which, if it should come to be realized, would, without any doubt, surpass all its advantages.

The evil is an indirect tax which affects all fixed revenues, a tax in comparison of which all other taxes—all taxes which bear the name—are almost nothing, so that the burden which is occasioned by the war almost vanishes when it is compared with this weight which results from peace.

It is certain that this depretiation, so onerous for one class of the nation, is compensated for other classes, who rise in the scale of fortune while the first descend: but this compensation does not re-establish the balance between the good and the evil, because it appears that the evil is keenly felt and the good is hardly perceived.

As for the *danger*, it is the greatest of all possible evils, universal bankruptcy: a catastrophe the date of which it is impossible to calculate with precision, but the certitude of which, if no measures be taken to prevent it, can be demonstrated.

In comparison with this matter, all other questions of political economy have but little importance: I do not even except the two which have most, the question of subsistence or of the most eligible means of obviating famines, and the question of indigence or of the most fitting means to prevent and relieve it: because with regard to these two great objects, if things were left on the footing on which they are, the evil would not go on encreasing: while the depretiation of money is an evil which becomes all the time more acute and which moreover threatens an extraordinary danger.

Though the evil considered in its effects is such that it would be difficult to paint of it too frightening a picture, it presents two circumstances which should help to calm the mind and to forestall grumbling.

The first is the fact that the evil is not based on any act of injustice on the part of its immediate authors, merchants and bankers. No moral blame can be attached to their conduct: they act under the protection of the laws: there is no reproach which can be brought to bear against their intentions.

Government is equally free from all censure: if the ministers and the legislators have in this point misjudged the true interests of the community, their understanding can no doubt be blamed, but no suspicion should be thrown on their aims. The head of the state,

the servants of the public, the whole class of administrators, have suffered as much and more than all others from the effects of this depretiation. The science of political economy is formed only by degrees: ignorance common to all is no matter of blame for anybody. Money, always money, abundance and multiplication of money, such has been the universal cry of the nations, and the public vote has guided the councils of the princes.

The second circumstance which should dissipate all alarm is that the gravity of the disease is no more certain than the efficacy and the harmlessness of the remedy. In the unlimited issue of paper money and money in general lies the evil; in its limitation pure and simple can the remedy be found.

In the course of this investigation it will be proved that the encrease in prices, in so far as it results from an encrease of metallic money, has not been productive of an encrease of real wealth; in so far as it results from the encrease of paper money, it has been productive of an encrease of real wealth, but of an encrease which ceased to be a good as it flowed from this cause, and which could have been produced with less inconvenience by sums of money which the government might have levied by direct taxes.

A consideration which should reconcile us to a sacrifice of so slight an encrease of real wealth¹ as the one which is due to unlimited paper money, is the operation of the Sinking Fund. Each million employed to pay the debt, i.e. to buy in the government annuities of which the debt consists, is so much added to national capital. The money levied by taxes which fall mainly on income, passes into the hands of the ex-creditors who, to draw from it a revenue, must employ it in the shape of capital, or lend it to those who put it to use in that way.

The effect of this stream of capital will be to further the production of real wealth as long as there remains a capacity for labour which can be put to work, and as rapidly as that capacity can be brought into action.

The class of capitalists, rich and not so rich, will thus be subject to a double loss: the one which they have in common with all persons of fixed revenues and which consists in the depretiation of money: the other which is theirs in particular and which consists in a direct defalcation from that quantity of depretiated money of which their revenue is composed [caused by the fall in the rate

¹[Literally translated: "... to so slight a sacrifice of an encrease of real wealth. . . ."]

of interest which will inevitably result from the encrease of capital through the repayment of the debt].

The emigration of capital presents itself as a kind of remedy: the capital which emigrates arrests the augmentation of prices as far as it depends on the augmentation of money: and the capital which emigrates sustains the value of the capital which remains. The emigration of capital is thus beneficial if it does not go so far as to raise the rate of interest: a result which need not be apprehended because it would be an effect in excess of its cause, and *pro tanto* without cause.

If we consider further the rapid encrease of population such as it has been even during the war, if we observe that it would soon, by its natural course, reach the point where it exceeds the means of subsistence which the two isles could produce, it will be recognized that the emigration of men and capital is a real good in the present state of Great Britain.

In fact, though it be better to be in a situation of progressive prosperity than to be stationary or regressive, though it be more desirable to advance than to fall back, to rise than to descend, the slower our progress is in this career of success, the more it is in conformity with sound reason. These are not, I admit, the general views of our speculators and our Midases, but the more one goes into a detailed examination, the more one is confirmed in these conclusions.

These opinions present themselves at first with the air of a paradox. To advance that paper money, this counterfeit of money, is productive of real wealth, that metallic money, this substantial reality, does not produce any, and that the only species of money which have the faculty of adding to real wealth are precisely the only ones which can lead to the catastrophe of bankruptcy—these are propositions which have a character of novelty for many readers and which appeared strange to myself when I began to go into these researches.

If these discoveries are founded on truth, that is not sufficient reason why I should flatter myself that I shall see them welcomed. The public is not disposed to adopt complicated ideas: it must have simple results, approbation without restriction, or disapprobation without modification. It is general and trenchant maxims which form a whole, and which are not broken up by exceptions and limitations, that find partisans and make proselytes. Truth has no

such precise forms and absolute maxims: it cannot be represented by straight and parallel lines: this kind of simplicity does not belong to it. In matters of politics or morality, truth is the result of various combinations and of various modifications, and as the facts from which conclusions are drawn are very multifarious and appear often contradictory, the consequences cannot be as simple as if they were drawn from a single fact or from facts which are always uniform. Nor can the measures to be taken be expressed by inflexible rules: to political economy is applicable only a system of modifications and adaptations, according to the diversity of circumstances.

I should have had more confidence of success if I had found myself in a position to cry with one party—paper money is an evil *in toto* and must be abolished altogether; or with another party—metallic money is a kind of real wealth, indeed the only wealth, and we cannot have too much of it. In the one case as in the other I should have been certain of a group of zealous supporters. Those who are capable of understanding a new system are few in number, those who dare to approve of it and who desire it, are fewer still. A new truth encounters obstacles which seem almost insurmountable for the first generation. In the lower classes it is prejudice which forms the obstacle. In the upper classes it is pride and indolence. The writers who charm the readers are those who find new reasons or new pretexts for adhering to already established opinions: those who confirm prejudices, not those who attack them: those who support shaken systems, not those who discover new truths.

Public interest, however, may command attention, that measure of attention which is necessary to judge of the principles enclosed in this publication: and what interest is more palpable than the interest of preventing a depreciation of money which amounts to a tax in comparison of which all others are trifling?

In a subject which is so obscure, I had to look principally to clarity. It has seemed to me that I must not give to the public the history of all the doubts through which I have passed myself, nor begin by combating popular errors or opinions contrary to my own. I have thought it better to attain my end first by describing the system which has for me the character of truth, and then by successively developing the considerations which are the proof of it. I present first a *practical measure*: I then endeavour to justify it by the help of reasons and facts. Hence it is that the object of the discussion is well defined and that the vagueness of theories is

avoided. This method of exposition is the inverse of the method of invention. I have not begun by fixing in my mind the measures which I propose: they have only occurred to me after an infinity of investigations. I have gone through many hypotheses. I have often abandoned them and taken them up again. An analytical examination of all these shades of opinion would have no end. I cannot impose on my readers, as on myself, years of laborious and arid studies. All I can hope is that they will be kind enough to remember that the opinions which appear *paradoxical* have appeared in that light even to myself, and that far from feeling an attraction of novelty therein, I have regarded them only as a cause of diffidence and as a reason for modesty.

Chapter I. Definitions and Distinctions.

Money—Real and Pecuniary Wealth—Means of Circulation— Paper Money.

The word *money* has different meanings which it is important to distinguish clearly. It describes the means of circulation, metal that is coined and which has no other function than to pass from hand to hand in exchange for all kinds of things.

In another sense which one can call figurative, it is employed for all these things themselves, for all modifications of wealth. It is in that sense that, instead of saying of a man that he is rich, one says that he has a lot of money; by which one does not mean that his wealth consists in money rather than in estates, houses &c.

That unfortunate metonym has caused very grave errors. By not having distinguished money or the means of circulation from wealth, people have imagined that to encrease money or the means of circulation was the same thing as to encrease wealth, and that one could not encrease wealth otherwise than by encreasing money or the means of circulation: whereas the encrease of money (except under the form of paper money) does not contribute to the encrease of wealth: and, when it has passed certain limits, becomes pernicious.

The word *real wealth* indicates sufficiently the distinction which exists between it and *pecuniary wealth*, but it has the inconvenience of giving the impression that pecuniary wealth is not real wealth: an idea which is not altogether correct, for while money in the form of coin is not in itself good for anything except for exchanging against useful things, it has in addition that great utility that it

is capable of being converted to an infinity of uses, under the form of utensils and ornaments, a capacity without which it would never have obtained the value which it possesses as an instrument of exchange.

Non-pecuniary wealth would be a less abstract term than *matter of wealth*: but it is hardly applicable to the minute divisions of the mass of wealth, and it is exposed to the objection of novelty, in common with all the other words which are necessary for the almost desperate task of dissipating the confusion of ideas, and removing the errors which are its fruit.

With regard to coined money or the means of circulation, the main distinction is that between *primary* and *secondary*: I call *primary* that kind which derives its value from itself, and which is principally composed of the precious metals. I call *secondary* that kind which consists in a promise of primary: a written document which contains a promise to deliver a specified sum of money upon a specified event. These promises, being for the most part rendered obligatory by the law, become thereby engagements.

These promissory documents have received the name of paper money: but there are examples where other substances than paper have served to embody these acts. Parchment has been employed in Ireland for the transferable government bonds called *Debentures*. Pieces of copper minted like money have been employed in France by Monneron and others to serve as a sign of engagements in money of a value superior to that of the piece of copper. Paper money is susceptible of essential distinctions, according to the nature of the engagement and the source from which it emanates.

Chapter 2. Of Wealth Considered with regard to its Modifications, its Value and its Sources.

Under the idea of *wealth* I find comprised every object which can present itself to sense or imagination, in so far as it is considered as an article of use or object of desire: not only *things* such as victuals, clothes, houses, but also *persons*, all our fellow beings, with regard to the services which they render one another, either by virtue of a right, or in any other way.*

*Among the civilized nations, husband and wife, in view of their reciprocal services, are with regard to each other mutually objects of wealth. In the times of primitive barbarity when the reciprocity of rights and services was unknown and when physical force, directly and constantly employed, was the only source of law, the weaker of the two associates was considered as an article of absolute and unlimited property in relation to the stronger.

This word *wealth*, familiar and intelligible though it is in a general sense, cannot be conveniently applied in all cases. *Wealth*, like *opulence*, carries with it the conception of a great *quantity*. In order to avoid this adventitious idea in the cases where it would be inconvenient, we must substitute for the word *wealth* the word *matter of wealth*. In the instance of a poor mendicant, it would be a contradiction in terms to speak of his wealth, to say that he possesses wealth, but one could without inconvenience say that he possesses a portion of the matter of wealth: his bed, if he has one, his rags, the piece of bread and the farthing which he has received, are portions of the *matter of wealth*. This composite expression appears at first sight a little awkward: but it is necessary for correctness and clarity of language. It would be desirable that, in the moral department of science, men should accustom themselves to speak of the *matter of wealth*, of the *matter of reward*, of the *matter of punishment*, as it has become customary in physical science to speak of the *matter of heat*.

It is still more essential to get into the habit of distinguishing *money* or *means of circulation*, and *wealth*. The confusion of ideas which has led to the taking of the one for the other, has produced a great part of the sufferings of humanity. This is not the place to enlarge upon the relationship between the errors of theory and the wars which have been their result. I inform my readers that in the whole of this work money or means of circulation is never applied but in its literal sense, and consequently never signifies *wealth in general*.

The several modifications of the matter of wealth may be considered with regard to the different *uses* to which they may be applied: they can be ranged under three heads, *subsistence*, *defence*, *enjoyment*.

Some articles of wealth are applicable only to enjoyment, without being able to serve subsistence or defence, except by accident: for instance, tobacco, perfumes, musical instruments, books, precious stones, &c.

There is no article of subsistence which is not at the same time an article of enjoyment: the use of victuals, of clothes, and of fuel for their respective purposes is happily accompanied by pleasure.

Under the head of articles of defence or security can be ranged all those which serve exclusively for that purpose, such as men-of-war, cannon, bullets, &c.: occasionally, articles of subsistence may be used for defence; for instance the hammocks or hanging beds

of sailors are sometimes employed during a battle to cover the fighting men. Casks of merchandize may also serve as gabions.

The enjoyments, distinguished with regard to their seat or the organ which receives the pleasure, are either sensual, or mental, or mixed.

Things considered as articles of wealth may be either *simple* or *collective*.

Simple objects are those which exist individually, such as a suit of clothing, a piece of wood, or a utensil.

A collective object or an *aggregate* is an object which is composed of a number of different articles combined, which are considered as forming a whole, as having a sort of artificial unity in view of their subservience to a common end; for instance, the funds of a merchant, the workshop of a manufacturer, the cargo of a vessel.

Simple articles are further distinguished into mobile and immobile articles: mobile are those which can be transported: immobile those which are not transportable, such as land, mines, houses, &c.

Although a plot of land not under cultivation is considered as a simple article, as soon as it is put to use, it contains a variety of articles which make it pass into the class of collective objects.

It is necessary to distinguish wealth of *essential value*¹ and wealth of *fancy value*¹: of essential value is all that is absolutely necessary, of fancy value all that relates to pure enjoyment, superfluity, luxury, &c.

This distinction gives rise to another one which is by no means of small importance: the distinction between the *absolute wealth* of a community, and its *relative wealth*.

Absolute wealth is the aggregate of all the masses of wealth which belong to all the individuals of which the community is composed. It receives then an addition from each individual that is added to its number, provided that the wealth of that individual amounts to something, and that it is not formed by defalcation from the mass of wealth possessed by the community to which that individual is added. Under this condition national wealth encreases in the same proportion as the number of individuals, and, all things being equal, absolute wealth is in direct ratio to population.

The *relative degree of opulence* is as the quantity of wealth which would fall to the share of each individual, supposing the whole

¹[The terms essential value and fancy value are Bentham's own as appears from a marginal note in Dumont's hand.]

of the wealth to be divided among all the members of the community in equal portions. All other things being equal, relative wealth is not in direct ratio, but in inverse ratio to the number of those who share in it.

National wealth is not susceptible of considerable encrease otherwise than with regard to the stock of articles of fancy value, of luxury, or of superfluity. It is not in the nature of man to accumulate pure necessities beyond his needs. When an Irish peasant has sown a sufficient quantity of potatoes for his yearly sustenance, will he take the useless trouble to sow more? Certainly not, unless he expects that, by the sale of that superfluous quantity, he will be enabled to procure himself other objects of desire which are not, for him, absolute necessities. Hence it is by an addition to the mass of luxury goods, and not by an addition to the mass of necessities—provided that these necessities are not wanting—that the mass of national wealth can be encreased.

Chapter 3. The Modifications of Wealth.

By the *revenue* of a country in a year, I understand the addition made to the quantity of wealth in existence in all its various modifications in the course of that same year, deducting the quantity exported and adding the quantity imported for home consumption.

By the *capital* of a country in the same year, I understand the mass of wealth in all its forms existing in the country within that period: comprised therein is the soil in a state of cultivation, and the population, considered with regard to its aptitude for the different kinds of labour of which the sources of wealth are composed.

Capital is the aggregate of the produce of labour of preceding ages minus the consumption which has taken place by destruction or use.

With regard to capital, a just and necessary distinction has been made between the portion which is called *productive* and the portion which is called *unproductive*.

I call productive the portion which serves for the production of some part of the matter of wealth, in order to furnish an income.

I call unproductive the portion which does not seem to contribute in any assignable way to the production of the matter of wealth [and] which does not give any revenue.

These terms are familiar enough, but to attach to them clear ideas

it is nevertheless necessary to give a summary view of the several classes of things which can be ranged under these two heads.

Articles of Productive Capital.

Private properties: portions of productive capital in the hands of individuals or associations of individuals.

Articles of an Immovable Nature.

1. Estates: portions of the surface of the globe applied to agriculture.
2. Mines, including quarries: portions of the earth under its surface furnishing materials which are extracted in substance.
3. Fisheries: portions of the surface of the earth habitually covered by fresh or salt water, stagnant or running water.
4. Constructions, including all kinds of buildings or receptacles that are immobile or not supposed to change their place: because these buildings serve in one way or another to add to the mass of encreasing revenue, either in agriculture, or in the production of metals, or in manufactures, or finally in the transport of goods. Hence roads, canals, bridges, paths &c can be referred to this head.

Stores and shops, as well as the dwellings attached to them, ought to be referred to the productive part of immobile capital: most products, natural or artificial, do not reach their full value unless they are deposited in a safe place where they can be preserved, and where they are accessible to those who stand in need of them.

In a word, amongst edifices I exclude only those from the class of productive capital, which are occupied by persons who take no part whatever, either direct or indirect, in the production of national wealth.

Articles of a Mobile or Movable Nature.

1. All that constitutes the mobile stock of agriculture, the live stock of cattle, horses and poultry as well as the dead stock, grain and produce, both the kind that is consumed for the sake of nourishment, and the kind that has permanent uses, such as flax, hemp and cotton.
2. Mobile receptacles destined for storage, such as barrels.
3. Tools and other machines designed to serve for different kinds of work.
4. Vehicles destined for transport such as waggons.

This is what constitutes the stock of a farm. There is also a mobile fund for mines and for fisheries: tools, machines, nets, vessels &c.

Mobile articles which compose the mass of the stock, both dead and live, of manufacture, that is to say, of the productive transformations of the second degree.

I distinguish *simple* manufactures and *complex* manufactures: I call complex all those which are conducted on a grand scale, and which admit in a high degree of division of labour, so that the different operations are distributed to different classes of workmen. I call simple those which, as they are not composed of the same number of operations, do not admit of the same division of labour, or have not yet attained to it. Up to the present the manufactures which I call complex are the only ones which have received the name of manufactures: those of the second group are in general called professions or crafts.

Operations of Simple Manufactures.

1. Operations providing food: miller, baker, butcher, &c.
2. Operations providing clothing: tailor, shoemaker, glovemaker.
3. Operations providing housing: mason, carpenter, joiner &c.
4. Operations serving transport: wheelwright, saddler &c.
5. Operations serving lighting and cleaning: candlemaker, soap-maker &c.

Operations of Complex Manufactures.

1. Operations pertaining to fermented liquors: ex. brewer, distiller &c.
2. Operations pertaining to fabrics: flax, hemp, cotton, wool, silk—operations of the carder, weaver, fuller, dyer, paper-maker &c.
3. Operations pertaining to leather and to the hides of animals: tanner, currier &c.
4. Operations pertaining to the production of metals: founder &c.
5. Operations pertaining to the preparation of earthen goods: brickmaker, potter, porcelain maker, glass maker, enamel maker &c.
6. Operations serving for the preparation of salts—potash, sulphuric acid, muriatic acid, nitric acid, the preparation of saltpetre and gunpowder.
7. Operations serving water transport: shipbuilders of all descriptions.

Capital not Producing Revenue.

Immobile articles—none.

Mobile articles.

1. Furniture of a useful kind and provisions for home use.
2. Furniture of a purely ornamental kind: 1. gold and silver vessels; 2. productions of the imitative arts, pictures, sculptures, medals; 3. books in so far as they serve exclusively amusement or ornament (books which deal with particular branches of an art or a science, books on agriculture or manufacturés for instance, are, in the hands of an agriculturalist or a manufacturer, portions of his productive capital); 4. musical instruments.
3. Personal ornaments: diamonds, jewellery, luxury watches &c.
4. Metallic money, in other words, means of circulation.

The same distinctions can be applied to public property. Buildings, pathways, stores, foundries, manufactures of gunpowder &c, are capital productive of revenue in the hands of government, as they are in those of individuals.

In the mobile part of productive capital must be reckoned the proprietors of that capital in all its branches, [that is to say] all the inhabitants of the country: the better part among them contribute more or less to the production of the mass of revenue, as they all possess in themselves the capacity of contributing thereto.

To omit in an inventory of the sources of wealth the one which gives birth to all the others would be a very inconvenient and misplaced delicacy. In certain countries the human beings attached to the soil and sold with it constitute its principal value: and if the value of human labour is not diminished, but considerably augmented by liberty, the reason for considering the inhabitants of a country as constituting a portion of its productive capital will be the stronger, the more perfectly they are free from that undefined mass of obligations which is indicated by the word servitude or slavery.

This is not the first time that the inhabitants of a country have been counted among the elements that constitute its wealth. Petty, the creator of the art which directs the attention of talent to political science, has placed them on his list. Adam Smith, by an analogy which is as striking as it was original, considers the exertion spent on the acquisition of knowledge of high value as a mass of capital fixed, so to speak, and realized, in the person whose mind has received that extraordinary cultivation.

According to this measure, what would be the value that would have to be assigned to that novel branch of productive capital, to that species of knowledge or science which, during a part of the last century, was as clearly described by the name of Adam Smith as by that of political economy?¹

This addition to the catalogue of articles of productive capital is the more necessary as in this field a sponge has been passed over certain negative quantities which had been classed among the positive quantities—deductions taken for additions, outgoings for incomings, debts for possessions.

Chapter 4. Of Revenue in general and Pecuniary Revenue in particular.

By *revenue* is generally understood that portion of good which comes periodically into the possession of an individual, so that although he may have entirely consumed it he can expect to see it replaced in its entirety. Revenue is consequently the part of income which is renewed—that part which he can reasonably expect to see renewed every year without augmentation or diminution, and which constitutes the fund of his annual support.

The annual revenue, considered in relation to a nation, that is to say, the revenue of all the individuals of which it is composed, may be consumed entirely in the course of the year: but in the ordinary course of things it is with augmentation rather than with any diminution that it is renewed from year to year.

The word *capital* is employed to describe the economies made from past revenue: which economies are sources of future revenue.

In our European climates each year has its harvest, and no more than one: it is at that time that the greatest part of the vegetable matter which furnishes the subsistence of the following year is garnered.

In the Tropics most countries have two seasons and two harvests: during the part of the year which is least favourable to vegetation, it is slowed down rather than arrested altogether.

Under a still more propitious sky, for instance at Otahiti, the course of vegetation is never entirely interrupted: so that the revenue derived directly from agriculture is regular and continual, like the revenue derived in other parts of the globe from fisheries or manufacture.

¹[There is a full stop in the MS, not a question mark.]

The word revenue consequently refers, with us, always to the period of a year. We mean annual revenue. By the revenue of the community, i.e. its real revenue, is understood the portion of wealth renewed by the community in the course of the year. The word *capital* does not refer to any period.

By revenue is meant sometimes what could be called *real* revenue, and sometimes *pecuniary* revenue.

By *real* revenue I understand the *things* themselves, the things of all kinds employed or consumed by the individuals for their use.

By *pecuniary* revenue I understand what everybody understands by it—the money employed by the individuals for the purchase of the things of which their real revenue is composed.

The fruits of the earth, the productions of agriculture, are what makes up the greatest part of the revenue of each nation (Holland may be excepted from this general rule). In fact, they constitute the mass of annual consumption, and even a great part of the *raw produce* which forms the prime matter of manufacture.

The pecuniary revenue of the community, except what is laid up or what is employed in the form of pecuniary capital, serves for the various purchases and constitutes the prices of the articles of which the greatest part of real revenue is composed: the other part of real revenue being obtained without money, either by domestic production, or by barter, or gratis.

The greatest part of real revenue is annually consumed, i.e. destroyed.

Pecuniary revenue is not destroyed, except by accident and, to a small extent, by usury [?]. It passes from hand to hand; it goes round as it were in a circle.

Among the nations most advanced in civilization, the greatest part of the real revenue of the community is transmitted to the individuals by the medium of pecuniary revenue: everybody receives his portion of real revenue in money.

A man may use his pecuniary revenue in five different ways: he may 1. employ it for the purchase of real revenue; 2. lay it up; 3. invest it in the form of capital; 4. deposit it with a banker who lends it out at interest, keeping in his hands a part as his security fund; 5. distribute it in free or conditional gifts.

With regard to the portion of pecuniary revenue which he employs in the purchase of real revenue, in the measure in which he obtains the one he is deprived of the other: in the measure in which the

real revenue comes in, the pecuniary revenue goes out. Only by giving away a shilling does he receive the value of a shilling: except in the case of purchases on credit, in which the payment of the money is deferred, for a longer or shorter period, until after the receipt of the merchandize bought.

All this seems clear enough. Yet Adam Smith did not hold sufficiently clear ideas on the subject. He asks himself of what a revenue ¹is composed², whether of *money* or of the *things* which are bought for the money in as far as it is spent: he gets entangled in this knot and in the end decides in favour of the *things*.³ According to this decision a man has no revenue when he has received his money, he only gets it in the moment when he disburses it. If a man is able to lay by his whole revenue, which is assuredly not a very rare case, he has not, according to Adam Smith, had any revenue. Whence arises this error? From the fact that he had made himself an abstract idea of what is called *revenue*, a phantastical idea without reality, instead of thinking, without subtlety and without mystery, of his own revenue, and considering the use which he made of it. Adam Smith has turned into light a great mass of smoke: but there are cases also where he has turned into smoke what was light before.

Natural and Conventional Revenue.

The whole mass of real revenue in each year must have been in the first instance, in its origin, the revenue and the property of the productive classes. While it remains in the hands of those who have produced it by their labour or their capital, it can be called *original* or *primary* revenue.

It is their hands which these various articles of real revenue must have left in order to pass into the hands of individuals of the unproductive class.

The part of the original revenue which thus passes into hands different from those of the producers may be called the *derived* part of the national revenue.

Of this derived part, the portion which constitutes the revenue of the unproductive classes is derived without any equivalent being given. I mean without equivalent in wealth, although there is an equivalent in other forms.

¹ ²[The words "*est composé*" are crossed out, apparently by mistake.]

³[Cf. *Wealth of Nations*, bk. II, ch. II.]

The annual revenue received in the shape of *rent* by those who hold property in land is received from the cultivators by title of proprietorship without any other equivalent being given than the permission to make use of the land.

By the term *unproductive* applied to the classes in question, I do not understand *useless*: I only wish to express an undeniable fact, viz. that these individuals do not contribute directly by their work to the production of the matter of wealth. Their talents, their qualities, their virtues, which can contribute in a thousand ways to their happiness and to that of society, are goods which do not enter into the composition of material wealth.

Nor do I wish to describe by the term *unproductive* the hardworking classes who by their industry give new value to the raw produce of the soil.

The total revenue before anything has been deducted from it is thus what I call *natural revenue*: the part deducted in order to be distributed among the unproductive classes is what I call *conventional revenue*: it is by virtue of an old convention that the producers are bound to give it up to the individuals of those classes.

Under a different point of view it is convenient to distinguish revenue into *absolute* revenue and *relative* revenue. I call *absolute* the real revenue, the natural revenue, that which could not be destroyed without *pro tanto* diminishing the mass of wealth of the community. I call *relative* revenue that which could be destroyed in the hands of those who receive it² without diminution of the wealth of the community.

Absolute revenue is produced either by the operation of nature, or by manufacture.

Relative revenue is the result of exchanges from hand to hand, i.e. of exchanges of these natural products; or, what comes to the same, of portions of the means of circulation which represent these objects of nature. Thus the farmer instead of delivering to the owner of the rent a certain quantity of grain, pays him annually a pecuniary rent.

The sum total of *relative* (or conventional) revenue is what is legally called a *charge* or a burden on the sum total of *absolute* (or natural) revenue—a part which is taken from it and transferred to other hands, to hands different from those by whom the absolute revenue has been produced.

² 2["*par rapport à ceux qui le reçoivent.*"]

The sources of absolute revenue are 1. labour and stock employed in agriculture; 2. in mines; 3. in fisheries; 4. in mechanical arts and artistic production; 5.¹ in manufactures.

The modifications or sources of relative or conventional revenue are 1. obligations to pay *rents*—for the use of land with or without houses—of mines—of fisheries; 2. obligations to pay a revenue at fixed times as *interest on money lent*, with the additional obligation to return the capital to the lenders or their agents; 3. *annuities*: obligations to pay a revenue at fixed times for a limited period or in perpetuity; 4. revenue consisting of *remuneration for services rendered*, without any anterior obligation, but by virtue of a free choice on the part of the individuals in question, and by a convention which can cease and be renewed at each service. Under this head belong the revenues of medical men, teachers and lawyers, and those of domestic servants. Under this head must also be reckoned the wages of productive labour, of that labour by which is produced the mass of the things which constitute the matter of real revenue: for it is by a convention, generally speaking, that each workman receives individually his portion of revenue; 5. revenue derived from the obligation imposed by the sovereign power in the community, for the support of the public services. *Revenue derived from taxation*.

This revenue is divided into three great masses: the first constitutes the revenue of the public servants of all classes, either civil or military: from here is drawn the pay of the work, and of all the services, of which the benefit does not accrue to this or that individual in particular, but to the community in general.

The second great portion of this mass of public revenue passes in the first instance into the hands of the public creditors, i.e. persons in favour of whom the government has created obligations, in return for services rendered and in particular for pecuniary services or the advance of money to the state, in order to secure to them or their representatives masses of annuity under the various modifications of which this source of revenue is susceptible.

This kind of conventional revenue is not essential to the constitution of a political state: but through causes which do not belong to the present subject, its existence has become common among the greatest nations of Europe.

The third portion of public revenue passes in the first instance into the hands of poor persons. It exists more or less, under different

¹[The MS reads "4".]

names, with all the civilized nations. But it is as yet only in England, that the poor, from a principle of humanity, have been placed on the list of public creditors.

I have said that it is the distinctive character of all these modifications of conventional revenue that they could all be destroyed without any diminution in the mass of national revenue. I do not say without diminution in the mass of national felicity, the sole object because of which wealth itself is of value. My purpose is only to throw light on the question of what is *possible*, of what is physically possible, for however short a time: I speak, I say, of what is *possible*, and not of what is desirable.

Rents [for instance]¹ could be annihilated without any diminution in the mass of revenue. The revenue transferred into the hands of the proprietors could remain in those of the farmer. An operation of this kind is not purely imaginary. We have seen it realized all too often in the course of the French Revolution.

The revenue—the revenue of the year, that is, the produce of the year—this produce is divided between the productive and the unproductive classes. However that division is made, as long as the quantity produced is the same, the result is not affected. National wealth is neither diminished nor increased although the proportion between the respective shares of the two classes varies. Whatever increased the portion of the one, would diminish the portion of the other, and *vice versa*. This proposition is capable of mathematical demonstration.

Those who have believed that the annuities paid by the state are a new capital, a new source of revenue, have misunderstood this mathematical truth, as will be proved later on.

Chapter 5. Wealth considered in its Value.

The terms *wealth* and *value* explain each other. An article can only enter into the composition of a mass of wealth if it possesses some value. It is by the degrees of that value that wealth is measured.

All value is founded on utility, on the use which can be made of the object. Where there is no use, there cannot be any value. Hence, as it is always with regard to subsistence, defence or enjoy-

¹[The paragraph begins: "1. *Les rentes* . . ." but the subject is not pursued. A hasty sketch by Dumont at the margin of the page indicates how he proposed to fill the gap. It is hardly interesting.]

ment that an article of the matter of wealth can be of *use*, so it is from the same points of view that it can possess *value*.

I. The first distinction which presents itself is that between *immediate* or *intrinsic* use or value, and *derived* or *subservient* value. The articles of immediate or intrinsic value are those which of themselves and without the intervention of any other article can be applied to subsistence, defence or enjoyment. Such are victuals, clothes, fuel, furniture, houses, pleasure grounds, pictures, books &c.

The articles of more or less distant value or of subservient value are those which are of use only in so far as they serve for the production of articles of immediate or intrinsic use. Such are the raw produce of agriculture, the mineral substances, the instruments of the various crafts, and human labour.

II. The second distinction is that between articles of *essential* and *invariable* value and articles of *variable* and *fancy* value. Articles of invariable value are victuals, clothes, fuel, lodgings, and, above all, in each species, the less expensive ones. Articles of variable and fancy value include only the objects of pure enjoyment.

Among the objects which have invariable value there are few which do not add to it a portion of fancy value. Hence results a complex value which it is easy to divide into the two species of simple value. Let us take as an example two articles of food which do not differ otherwise than with regard to their costs of production, as indicated by their respective prices. The price of a pineapple is at present five shillings a pound, while potatoes are a halfpenny; the relation is 120 to one. Both are of use only when they are eaten. Their nutritive qualities have not been analysed, but it will be believed without difficulty that for everyday consumption the potato is superior.

According to this basis of calculation we find in the pineapple for one grain of invariable value 125 [*sic*] of variable or fancy value. In the price that is given for it the halfpenny pays for subsistence and the 125 halfpennies for pure enjoyment. The fact is that the value of the article as a means of subsistence is absorbed and lost in its value as a means of enjoyment: for nobody in England will eat pineapples otherwise than as a luxurious dessert, after hunger has been well satisfied.

Articles which are thought to possess essential and invariable value are called necessities: those which are considered as having fancy value receive different names, according to the various

sentiments of those who speak of them: those who regard them with approval describe them as comforts, conveniences, amenities, elegance, those who look upon them with envy or disapproval call them luxury, vanities, extravagance or superfluities. They are certainly superfluous with regard to simple existence.

Is it possible to draw a line of distinction between what is necessary and what is superfluous? I do not think so. Necessary is a relative term, and it refers to human needs. But needs vary in quality and in quantity from climate to climate, from country to country, from sex to sex, from age to age, from individual to individual, from the same individual at one time to the same individual at another time. Whether a certain article belongs to the class of necessities or of superfluities, depends largely on custom and even on opinion. Diogenes threw away his wooden beaker after he had seen a little boy drink from the hollow of his hand. Yet Diogenes himself was convicted of luxury by the Gymnosophists, a sect of sages who made philosophy consist in going naked. The savages of New Holland are philosophers of the same confraternity, practising that philosophy without knowing it, as Mr Jordan [*sic*] talked prose.

What is necessary even in respect of the most fundamental of all needs, nourishment, varies according to the country: in England it is wheat, in Scotland oats, in Ireland potatoes, in a part of America maize, in India rice.

The practical importance of this line of demarcation, if one could draw it, would be in relation to that class of human beings who are fed at the expence of the community, on the one hand the poor, on the other the convicts. Among a civilized nation humanity will never permit their fare to be restricted rigidly to what is absolutely necessary: but from the point of view of justice and economy it would none the less be desirable to know exactly where to draw the line.

With regard to the community as a whole, would it be advisable to try to accumulate indispensable values at the expence of fancy values—or, in other words, to try to augment population at the expence of relative opulence? No. That would amount to sacrificing a real good to an imaginary one.

The fancy values are the great security fund with regard to the essential values. All luxury goods can be converted, by means of exchange, into objects of subsistence and defence. Grain that is consumed in years of abundance by luxury horses and by distilleries

can be used in years of famine for the immediate needs of man. Individuals sell their plate, their jewellery, their pictures, in times of distress, in order to procure themselves what is necessary. Producers of superfluities take up a different occupation, and are a fund of recruits for the army, the navy and for agriculture. The portion of private fortunes which is available for the service of the state, is nothing but the portion which is not employed by individuals for their subsistence. One cannot take anything from him who has nothing but his livelihood. The nearer the nations are brought to that point, the more are the means of national defence diminished.

Luxury is the spending of a revenue beyond what is necessary. A considerable revenue can only be spent on superfluities. There is an inseparable connection between the possession of a revenue and the free spending of that revenue. Prodigality is at all times to be blamed; prejudicial to the individual, it is in his person prejudicial to the state: the same does not hold good of luxury. To confound luxury with prodigality, i.e. spending within the limits of one's income with spending in excess of those limits, to regard with envy all conditions superior to one's own, to condemn as prodigality in others what would be prodigality in one's own case, to set up oneself as the standard of what people ought and ought not to do, is the attitude of asceticism and antipathy which would in its consequences lead to the passing of the plane over all ranks of society and to the destruction of propriety and industry.

Even the most exquisite fruits of civilization, refinement, virtue, and learning, are in a certain sense results of relative opulence, because they are effects of leisure, of study, and of social culture, which cannot be found among nations occupied exclusively with the satisfaction of their needs and always oppressed by the fear of famine.

III. A third distinction of great importance is that into value in *use* and value in *exchange*.

It must not be assumed that there are classes of articles which have value in exchange without having value in use, or classes of articles which have value in use without having value in exchange. But the same article may according to the circumstances have for its owner little or no value with a view to exchange and yet possess a more or less considerable value with a view to use, and *vice versa*.

That will become obvious when we consider the nature and the origin of *exchange*. Exchange consists in giving up a thing in order to obtain another. But no one will exchange a thing that is likely

to be useful to himself and to others for a thing which is not likely to be useful to himself and to others. Value in use is the basis of value in exchange. That which has no value with a view to use has no value with a view to exchange.

This distinction comes from Adam Smith but he has not attached to it clear conceptions.¹

He considers this distinction as applying to classes of articles. He divides all articles into two groups: the one is composed of those which have value with a view to use without having any with a view to exchange; the other is composed of those which have value with a view to exchange, without having any with a view to use.

Water is the example he has chosen of that sort of article which has great value with a view to use but none with a view to exchange. In order to realize how erroneous the latter assertion is, he would only have had to consult in London the New River Board, and to remember that at Paris he had seen it sold retail by those who carry it into the houses.

He gives *diamonds* as an example of that sort of article which has great value with a view to exchange and none with a view to use. This example is as ill chosen as the other. There is no woman who could not have told him that, in society or at a ball, she who is most richly covered with diamonds overshadows the brilliance of all her rivals. Why should the fair sex not attach importance to them? Do not the very kings use them as ornaments in their crowns?

The value of diamonds is an instance of what has been distinguished above under the name of *fancy* values: but it is nevertheless a value in use. It is neither essential nor invariable like that of water: but this is no reason why its utility with regard to enjoyment should be doubted. If all articles which have no other than fancy value should for that reason be expelled from a country, the better part of its wealth, and consequently of its national security, would disappear by that act.

The reason why water is found not to have any value with a view to exchange is that it is equally devoid of value with a view to use. If the whole quantity required is available, the surplus has no kind of value. It would be the same in the case of wine, grain, and everything else. Water, furnished as it is by nature without any human exertion, is more likely to be found in that abundance which

¹ [Cf. *Wealth of Nations*, bk. I, ch. IV.]

renders it superfluous: but there are many circumstances in which it has a value in exchange superior to that of wine.

There is but one article, one single article, which has value only with a view to exchange and none with a view to use, except in so far as, by means of exchange, it helps to procure all the things which have use value. This article is *metallic money*. As long as it remains money, it has no proper value apart from exchange. The precious metals are of direct use in the form of plate and jewellery; and that use value is the basis of the value which, in their minted shape, they possess in exchange. If it were possible to deprive them of this value in use, they would *ipso facto* lose their value in exchange. Who would give away a useful thing for another that could never have utility for anybody?

An objection here presents itself. If the shilling in the hand of the workman, which is going to be converted into means of subsistence, ceased to be a shilling, if the same quantity of silver were in his hands in any other form than that of the medium of circulation, he could not draw any benefit from it. Generalize this fact: apply the same idea to the whole mass of circulating metal. In converting it into plate and jewellery, you would render it useless in the hands of its possessors. It seems then that its value with a view to exchange is not founded on its value with a view to use.

I answer to this objection that it is by no means necessary for my argument that each piece of metal should have use value in the hands of each individual in order to have value in exchange. In order to maintain its value in exchange during the whole course of its circulation, it is sufficient that each piece of metal can, in the end, find a buyer who will purchase it in consideration of its intrinsic and immediate value. This intrinsic value is so much the basis of the value in exchange that whenever the sovereigns have altered the intrinsic value in their coinage, a proportional diminution in the value in exchange has been the result.

Those legislators who, in order to accumulate a greater quantity of the means of circulation, have forbidden the coinage of gold and silver money, have misunderstood the basis of the value of the circulating medium. To deprive it of its value with a view to use was to deprive it of its value with a view to exchange. They have multiplied their efforts, but fortunately they could not succeed. If they had succeeded, they would have been very surprised; they would have seen their circulating medium depreciate from day to

day, they would have multiplied it in order to compensate for that depretiation, and thereby they would have depretiated it even more.

IV. A fourth distinction is that between *intrinsic* value and *conventional* value: it is *intrinsic* when the value of a thing depends on its nature: *conventional* when the value depends on a convention, be it tacit or express, to bestow on a thing a value which it does not possess by itself.

Metallic money is amongst those things which possess intrinsic value, because the matter of which it is made is eminently fitted for various uses.

Paper money is the main article of which the value is of the conventional kind. Its intrinsic value is almost as nothing compared to its representational value.

But what is the source of that conventional value? Is it convention alone? Have people said: let us agree to give a certain value to this piece of paper, and has the paper obtained that value as a magic effect of that convention?

By no means. What has no intrinsic value will never become the basis of any conventional value. Nothing can be made out of nothing. *Ex nihilo nihil fit*. The motive which is necessary to every human convention in the character of a final cause can consist only in some intrinsic value.

If a fragment of paper too small to have any value in use has been found to obtain a great value in exchange, it is because this paper has come to be considered as a *promise* made to the bearer, to furnish him with the promised sum in money. Long experience has strengthened the trust in this promise: and thus the paper has come to be accepted as equivalent of the metal.

In the case of the Bank of England we have seen a singular example where the paper preserved its value after it had ceased to possess the power of putting its bearer into possession of its metallic value. But even in that case it is none the less true that the value of the paper as a means of exchange was founded on its original value as metal.¹ The connection between the two values was interrupted. At that critical juncture a convention which might be called miraculous arose to give it a new support. But what was the basis of that convention? The conviction that the connection, though temporarily suspended, would be soon restored. Would the business men of London, who consented to continue to receive the

¹["*argent.*"]

Bank Notes as means of circulation, have done so, had it not been understood that the payment of these Notes would be taken up again, and that the paper money always implied a promise to pay it in hard cash? It was a credit which the creditors accorded to the debtor after he had proved that he was solvent.

The fact reduced to its simplest terms is, then, that the value of metallic money as a means of exchange, its conventional value, is based exclusively on its use value,¹ on its intrinsic value, and that the value of paper money, although it may maintain itself for a time solely by the force of a convention, is based exclusively on the metallic value of which it carries the promise.

*Chapter 6. Wealth considered in its Sources.*²

Wealth is the produce of *labour*. The ratio of encrease in the quantity of labour employed in the production of wealth, is the measure of the ratio of encrease of wealth itself.

But the same quantity of labour will give a produce in wealth more or less abundant in *quantity*, and more or less adapted to its uses in *quality*, according to whether it is applied in a more or less *efficient*, more or less advantageous, manner with regard to the choice of *materials* on which it operates, of the *instruments* with which it operates, the *mode* of operation, and so forth.

The encrease in wealth is thus not simply in proportion to the encrease in labour, but in compound ratio to the quantity of labour and its degree of efficiency.

Labour in itself is incapable of producing anything without *land*. It must be applied either directly to the land or to something which originally owed its existence to the land.

Abstraction made of labour, wealth does not receive any encrease from a simple encrease in the quantity of land. Such an encrease in land could go on to infinity without producing any encrease in wealth. In a word, land is a source of wealth only in proportion to the labour which is applied to it. Without that proportion of

¹["*valeur usuelle*."]

²[The papers contain two drafts of this chapter. The one is entitled "*De la Richesse—Ses Sources*" and is fragmentary. Dumont notes at the end of the fragment that he cannot understand the argument, or cannot accept it. The second draft bears the title "*De l'Accroissement de la Richesse*". It appears to be complete and contains everything that the fragment contains. It may be of a later date and is printed here. In accordance with the Table of Contents, the above title is applied to it.]

labour, the possession of land could not contribute to wealth any otherwise than by being transferred in the way of exchange.

A new expanse of land could, however, become a source of wealth without encrease of labour, if that new quantity of ground, by reason of its natural fertility or of the climate or of any other circumstance, rendered the same quantity of labour more effective, or in other words gave more produce for the same exertion. But even in this case the addition to wealth which results, must be imputed to labour, that is to say, to its *effect* or to its *efficacy*, which is being encreased by these circumstances.

¹The least quantity of labour which can be applied to a certain extent of ground is that which is limited to the simple extraction or to the simple harvest of its natural produce.²

If the newly acquired land is not contiguous to the old possessions, but situated at a distance, the labour spent in traversing that distance, in transporting men, instruments, goods from one part to the other are so many circumstances which must be taken into account as all operating an addition to the quantity of labour employed in producing that surplus of wealth, and consequently as diminishing the effect of the labour transported to the new expanse of land. It is further necessary to calculate all the other expences, i.e. all the various portions of labour which that new expanse of land necessitates, for instance for the purpose of governing and defending its inhabitants, beyond what would have been required for the same end in the former possessions.

If, then, it is true that, on a given extent of land, the encrease of wealth is composed in due proportion of the quantity of labour and of its effect, it can neither be augmented nor diminished by any other circumstance: for instance it will not matter whether more or less money is employed in giving birth to labour, at least in so far as it is impossible that this new quantity of money should encrease either the quantity of labour or its effect.

Reason, history and experience can testify that there is no physical, necessary, and uniform connection between the quantity of money in a country and the quantity of labour produced by means of it in the same country. If there were a necessary connection between these two things, there could not be any difference between period and period in the pecuniary price of labour. The same quantity of money would have to be given to produce the same quantity

^{1 2}[This passage is in brackets.]

of labour—but it is sufficient to consult the tables of workmen's wages at different epochs to see that the day's work of an agricultural labourer, for example, has been paid in England at various times from sixpence to eighteen pence.

Chapter 7. The Various Kinds of the Means of Circulation.

As in every community various individuals become, through their work or through the work of others, owners of articles which possess intrinsic value, and as (apart from the case when they are animated only by a special benevolence) men do not part with a thing otherwise than in order to obtain another, it happens that certain objects acquire, by reason of their aptitude in passing from hand to hand by way of exchange, an exchangeable value which is founded on their use value, or intrinsic value, but which is superior in some degree to that which they would have without that particular aptitude in facilitating exchanges.

The articles distinguished by that aptitude are characterized by the terms *money*, *means of circulation*, and *specie*.

Different substances have been employed in different states of society and in different countries as the *medium* of exchange. But in civilized societies all have long since given way to the metals and above all the precious metals.

The properties to which these metals owe their particular aptitude in facilitating exchange have been recognized everywhere, and are mentioned by all authors: and yet, for lack of sufficient attention, these properties have been forgotten by a great number of legislators and political speculators: that is, they have forgotten that these properties were the basis of the value of the metal, and have imagined that its value depended entirely on an arbitrary convention or on the seal of authority.

These properties are 1. their original and intrinsic utility; 2. the uniformity of their texture; 3. their imperishability; 4. their divisibility; 5. their portability; 6. their rarity; 7. their [?].

Their portability is a kind of secondary property which depends on their rarity. It is due to the fact that the quantity of silver and especially of gold is so small in relation to the demand that a minute piece of [either of] these metals bears such a comparatively high value.

It is their use value, resulting from all these properties, that forms

the sole basis of their exchangeable value. In fact, would it be in the nature of the human heart to give the most useful things in exchange for these metals if they were of no use in themselves?

It is true that the value of gold and silver has, through long familiarity, been so well established that they are accepted in exchange without a thought of their use for special purposes. They circulate in trade without any consideration of their intrinsic utility. The idea of value has been so strongly associated with these metals that it is no longer necessary that a man should intend to apply them to his personal use for him to be disposed to receive them in exchange. The farmer who sells a chicken for three shillings, sacrifices what would make him a delicious meal, for the possession of three pieces of metal which would be of no use to him in any other form than that of money. It is also true that neither the farmer nor anybody else would ever have concluded such a bargain—or, in other words, the precious metals would never have become a universal means of exchange,—if there had not always been persons for whom these metals resumed their original purpose and their use value. The three shillings of the farmer will serve in the hands of an artisan, with some addition, for the production of a spoon or a fork, luxury goods which the cleanliness and the salubrity of that metal have rendered almost indispensable, at least to those who have become accustomed to them.

Of Paper Money.

Paper money in general may be defined as the written proof of an engagement on the part of one or several persons to deliver, according to certain conditions, to somebody or other, a specified sum of metallic money.

Two points must be observed in this definition: 1. that it is an engagement, and 2. that the engagement consists in the delivery of metallic money, the only money which has original and intrinsic value.

Ignorance and forgetfulness of these two conditions has in practice produced errors and calamities without end.*

The value of metallic money is *intrinsic*. The value of paper money

*1. Stock notes? no engagement. 2. Air bank. No money fund.[†] 3. French assignats. No money fund. [English note on the margin of the page, obviously taken from Bentham's MS.]

[†][Adam Smith, *Wealth of Nations*, bk. II, ch. II.]

is *derived*: derived from the value of the metals of which it carries the promise. Supposing the fulfilment of the promise beyond doubt and the time of its fulfilment at the choice of the bearer, the value of paper money is exactly equal to that of the portions of metal which it *represents*.

But under this supposition the value of the paper is still greater than that of the metal; the shadow is worth more than the substance. There are properties in the sign which are not to be found in the thing signified.

1. Its portability is raised to the highest degree. A sum which in gold would weigh a thousand pounds, would in paper hardly add a sensible weight to the letter in which it was enclosed. How many facilities for commerce result from this quality alone! The invention of paper money and of bills of exchange, which are also a kind of paper money, has given wings to commercial transactions.

2. Economy of time in the operation of counting money is another advantage of great importance. Were gold employed in the daily transactions of the Exchequer with the Bank of England, how many clerks would not be necessary for the simple act of calculation?

3. Another economy of time [arises] in the examination of value. The time required for counting would always be in proportion to the number of pieces, whatever their weight or their purity. The time required for the investigation would vary according to the state of the coins.

4. Security with regard to the risk of a loss in quantity or in quality. The object of the investigation is to remove that risk. The object is accomplished to a greater or lesser extent according to the degree of intelligence and attention which is bestowed on it. But in transactions between individuals, this investigation is never accomplished to perfection. The risk up to a certain point always remains.

5. Security against robbery. 1. A bank note of a thousand pounds is more easily hidden than the sum in gold which it represents. 2. It is easier to follow its trace from hand to hand. 3. Its value is easily cancelled by a public announcement, which is not possible with metallic money. [4].¹ The security is the greater the more considerable the sum: that is so true that for a robber of the ordinary kind a bank note of a thousand pound st. would be a trap rather than a prize.

¹[The MS has "5.".]

Chapter 8. The Value of Paper Money.

The certainty of obtaining money immediately on demand fulfils the desired object as well as actual possession.

For such is the nature of money that as long as a piece of metal remains in that form its use value is suspended and absorbed in its exchange value. Hence actual possession is only useful as a security fund in order to have it ready in time of need: if it is possible to have the same security in the case of paper money, this substitute will be of the same value as metallic money. If this security is regarded as superior, the value of the paper will be greater than that of the metal. This supposition is, in general, realized in the case of bankers. The means which a banker has at his disposal of guarding the money in his possession against every kind of depredation, is so much superior to mine that, even deducting all risks with regard to his solvency, my money will be still safer in his coffers than in mine.

In view of these advantages, supposing the certainty entire with regard to the goodness of the paper, it is evident in theory that, sum for sum, paper money has more value than the metallic money which it represents. This also can be seen verified in practice.

It is on this foundation¹ that *banks* have been established: a kind of institution which has been better understood in almost all trading countries of Europe than in England. These banks presuppose a *deposit*. Money is received there, and not only counted but also scrupulously examined. Paper which rests on money of good quality² ought to be more highly valued than paper which has no other basis than the mixed mass of current money in circulation.

In the places where these banks are established, the quantity of paper which represents the money deposited in the bank, being limited by the quantity of metallic money represented, is found susceptible of a premium, which premium varies according to the demand.

In England where the Bank is not founded on a deposit, the certitude with regard to the goodness of the paper can never be so complete: however, if allowance is made for this circumstance,

¹[It is assumed that the text should read "*c'est sur ce fondement*" and not "*c'est ce sur fondement*" as it actually reads—a version which, though formally possible, would give no sense.]

²["*numéraire d'un bon titre.*"]

the certainty is great enough to give rise to a premium in favour of the paper on account of all its advantages.

If this premium has never existed, that is not due to any sentiment of insecurity, but to an entirely different cause. This is the fact that the sum of paper money has never been *limited*, as it necessarily is in banks of deposit. As anybody may at any time procure himself against metallic money as much paper money as he demands and as he can guarantee, no premium can exist for anybody.

I speak here only of the paper money which purely and simply represents the primary money, and not of those kinds which add interest to that capital, such as Exchequer Bills, Irish Debentures, and East India Bonds. These papers are necessarily limited in quantity: but as they are sometimes in a quantity superior to the demand at par, they are liable to carry, sometimes a premium, and sometimes a discount.

The other kinds of paper which are not payable *at sight* depend on various other principles which subject them to variations in their value in comparison with metallic money.

1. In the case of bills of exchange drawn with a view to the saving of the *costs of transport*, their comparative value receivable at the spot is subject to fall and rise according to the proportion between the total of the sums of which the presence is desired in one of the places, and the total of the sums of which the presence is desired in the other: for instance between the sums which have to be transported from London to Hamburg, and the sums which have to be transported from Hamburg to London.

2. In the case of bills of exchange drawn with a view to the *gaining of time*, their comparative value will be subject in every instance to diminution in proportion to the remoteness of the payment, and in certain instances in proportion to the doubts which may arise on the score of the certainty of the payment.

3. In the case of interest-bearing paper money, i.e. of annuities for a longer or shorter term, the comparative value will be subject in every instance to variation according to the current rate of interest, and in certain instances to diminution in proportion to the doubts on the score of security.

Chapter 9. The Degrees of Aptitude for Rapid Circulation of the Different Kinds of Money.

The circumstances on which the comparative facility for circulation of the different kinds of money depends, may be referred to four heads.

1. Smallness of value; metallic money and paper money to be considered apart.

2. Portability.

3. Certainty with regard to goodness, above all in the case of paper money; included in that, the durability of the value of the materials.

4. Promptitude of payment, in the case of paper money.

I. Of these circumstances the one which wields the strongest influence is the *smallness of value*.

The number of times within a year when a piece of money will be used in exchange for a commodity, will be greater or smaller according to the number of persons into whose hands it can come, whose purse, if I may so express it, is large enough to receive it, and according to the number of occasions when each of the persons who have received it will have to make use of it.

For these two reasons it is clear, as Smith has observed,¹ that the copper pieces change hands more often in a given time than the silver pieces, and the silver pieces more often than the gold pieces, the halfpenny more often than the shilling, and the shilling more often than the guinea.

It seems therefore that when the need arises to encrease the rapidity of circulation, and thereby the effectiveness of the mass of money of a country, it would be sufficient to encrease the number of coins of small value at the expence of the number of coins of greater value.

But this operation would not have the desired effect. As soon as there is a quantity of money of the smallest denomination sufficient for the payment of the daily transactions which it serves, an addition made to that quantity by the conversion of greater money into smaller would not add anything to the rapidity of circulation: for the quantity of money remaining the same, it is not a certain kind of money which determines a certain number of transactions, it is a certain number of transactions which demands a certain kind of money.

¹[Cf. *Wealth of Nations*, bk. II, ch. II.]

If copper were not available in a quantity sufficient for the occasions when it is needed to the exclusion of silver,¹ this deficiency would be indicated by a premium in favour of copper in its exchanges against silver: if halfpennies were wanting, less than 24 halfpennies would be accepted for a shilling: if shillings were wanting, less than 21 shillings would be accepted for a guinea. That no such premium exists is conclusive proof that in England small money is available in sufficient quantity.

The multiplication of small money beyond the proportion absolutely required for *exchanges* (i.e. for exchanging a shilling into halfpennies and a guinea into shillings) would be detrimental rather than conducive to rapidity of circulation by reason of the fact that it is *less portable*.

In consequence it is observed in several countries that metallic money of the highest value carries a premium in its exchanges against money of a heavier kind. In France, gold had, at least at one time, more value than its legal equivalent in silver, when great quantities were involved.² In Russia, silver has usually the advantage over copper, which being the produce of the mines of the country is more plentiful than the precious metals.

On reflection one is struck by the observation that among the classes who compose the greatest part of the population (the agricultural labourers) there are hardly one or two occasions within a year when they need at once a sum as high as a guinea. They receive their pay week by week: they pay in general 40 shillings as rent for their cottages: all their remaining small expences involve only small sums at any one time.

The other classes of superior workmen need never more than 5 pound st. for their greatest payments: and yet the total revenue of these classes composes, according to the calculations of Dr Beek[e], no less than half the national revenue.³

When the money suitable for small payments is not equal to the demand for it, when, for instance, a man who holds a note of five pound st. cannot find any one for the moment who would change it into shillings or into guineas, it follows either that he cannot make a purchase which he would have made otherwise, or that

¹[It is assumed that the French sentence should read: "*Si le cuivre ne se trouvait pas en quantité suffisante pour les cas où on en a besoin . . .*" but the text reads in fact "*où en a besoin . . .*"].

²["*L'or en grande quantité.*"]

³[Cf. *Observations on the Produce of the Income Tax*, "new" ed., 1800, esp. p. 136.]

he will be obliged to make it on credit: if the number of such deferments of payment is multiplied by the number of persons who may find themselves in this situation, it will be seen that the general circulation must be slowed down thereby.

After what has been said, a case may be imagined and explained which might [otherwise] appear very paradoxical. It is that a deficiency in the mass of paper money might produce the same effects as an excess. If there were no bank notes of the value of a pound, or if they were not available in a quantity proportional to that of the notes of higher value, there would be a demand for guineas to serve for change against these great notes: this demand for gold would be interpreted as if it were caused by opposition to the paper: it would seem a symptom of distrust against the credit of the paper money, and would be nothing but a sign of the lack of this paper.

II. With regard to *portability*, I have hardly anything to add to what has been said above. This is the main circumstance to which paper owes its great value in comparison of the value of metallic money. It is in great part this advantage which compensates for its lack of intrinsic value, and which gives to this *shadow* of property an exchangeable value superior to that of the very *substance*.

It is to this same advantage that paper money is indebted for its particular aptitude for quick circulation. In this form, property in masses of any size can be transported from 150 to 200 miles a day. The degree of retardation which circulation would experience if nothing were available but metallic money, would be such that the present generation in England, accustomed as it is to the rapidity of a money equipped with wings, could hardly form any idea of it.

III. *Certitude with regard to payment*. It is here that we shall find the reason for the superior aptitude for circulation of the notes of the Bank of England in comparison of the other kinds of paper money which exist in this kingdom. The goodness of these notes is recognized throughout the whole British Empire. Whatever the confidence which a provincial bank may enjoy, it is in comparison restricted within narrow limits. Its paper money could not travel far without being exposed to doubts: it may be refused: it may be subjected to inquiries which retard the course of business. No hesitation exists with regard to the paper of the National Bank.

If you look for the cause of the comparative inferiority on the

part of a negotiable paper you will find it in the same circumstance. Though the negotiable paper may be equally good, confidence in it can never be as universal as a confidence guaranteed by an incorporated society the solidity of which experience has so long confirmed. It is true, the goodness of a negotiable paper encreases in proportion to the number of hands through which it passes, so that it receives from each endorsement a new access of security, but the degree of responsibility is susceptible of an infinite variety in the case of each individual who makes himself responsible with regard to the obligation.

Even if a negotiable paper is compared with provincial paper money within its natural sphere, the advantage in favour of the latter seems evident. 1. In the case of the paper money of a particular bank, its solidity, that is to say, the solvability of the bankers, is a point so constantly verified and so well put to proof, that it cannot admit of any doubt: while in the case of negotiable paper, be it of the most reliable kind, the goodness can always be a matter of doubt and inquiry for the individual to whom it is offered in payment. 2. In the case of paper money, it is always a comparatively small sum that is concerned, whose loss would not in general be of great consequence for the class of persons who may receive it: while in the case of negotiable paper, the amount has no limit, and the value is usually more considerable. Assume even that the sums are equal, say £20; provided that the paper money is divided into several notes, for instance into four notes of £5, if I cannot get them accepted all at once, I could at a second attempt place one, then a second, then a third &c; but the negotiable note of £20 must rest stationary and dormant in one and the same hand until the need arises for a transaction of this value and a person is found who possesses the necessary degree of information and confidence to accept it.

With regard to all other species of paper and engagements, their degree of aptitude for circulation may be judged according to exactly the same principles.

IV. *Promptitude of payment.* This is the last circumstance which influences the aptitude of a kind of paper money for quick circulation. It is by this circumstance that the power of interest-bearing paper is more or less affected.

The influence of this cause on prices is not easy to disentangle because it is mixed up with the other causes mentioned above and

because it is itself diversified by a great number of modifications. In the case of *bills of exchange* the slowness of payment, which is a cause of retardation in circulation, is combined with the various degrees of uncertainty concerning the solvability of the parties under obligation of payment. In the case of *Exchequer Bills* the time of payment, though it is distant in comparison of bills of exchange, is generally fixed to the day. In the case of *Navy Bills*, now fortunately out of use, uncertainty with regard to the day of payment made them fall into a depreciation which alone sufficed to retard their circulation so much as to render them unfit for the service of government.

In the case of *Exchequer Bills*, principal and interest are paid together. In the case of *East India Bonds*, although the payment of interest is quicker and more regular than in the case of *Exchequer Bills*, yet the payment of the principal is deferred not only to a distant time, but to an uncertain date. It is more for the borrower to exercise the right of reimbursement at his convenience than it is for the lender to enforce payment.

Another circumstance connected with these bills which makes it difficult to isolate the effect of the slowness of payment on their circulation, is the largeness of the sums; £100 at least for *India Bonds*: £500 and often £1,000 for *Exchequer Bills*. This alone would suffice to exclude this kind of paper money from use in the common transactions of expenditure.

It must not, however, be assumed that these kinds of paper do not exercise any indirect influence on the total efficacy of the means of circulation of all sorts, and in consequence on the generality of prices. There are many commercial transactions, besides those of the wholesale merchants, where these notes of £100, 500, and 1,000 are as well applicable as the ordinary bank notes in the course of everyday business: and *Exchequer Bills* in particular enter into the composition of that species of money which the bankers keep with them as a reserve fund to answer any extraordinary demand for cash on the part of those who are in the habit of depositing a sum with them in order to withdraw it in driblets. The reputation of these bills is so well established by the experience of a century that although they are not payable at sight, a ready market can always be found for them in the Metropolis, among the dealers of the highest order.

The various kinds of paper money may present a phenomenon

which might at first sight have the air of a paradox. Among all those which pass for good, and which in consequence have currency, the one which ought to have the greatest rapidity in circulation and to add more [than any other] to the effective force of the means of circulation, is the one which commands least credit, which is regarded as least solid. For in proportion as a kind of paper enjoys superior credit, it is better fitted to serve as base to a kind of paper which is regarded as inferior. In a word, it is more comparable in solidity to cash, and more likely to be impounded in order to serve as a pledge for provincial bank notes.

Chapter 10. Of the Security Funds of the Various Banks which issue Paper.

All species of paper money *payable at sight* necessitate a *security fund*: a mass of money which is always ready to fulfil the obligation of the paper money.

The size of these funds is by no means an object of small importance in the investigation on which we are engaged: for this amount, habitually withheld from circulation, is so much taken from the mass of national money.

For the different species of paper money, the security funds are composed in different ways; they bear differing proportions to the mass of engagements which they have to meet; and they operate in differing degrees with regard to the deductions which they produce from the mass of circulating money.

Let us first observe that it is possible to apply to the arithmetic of the banking trade the words of Swift on taxation: *two and two do not make four*.¹ If the amount of metallic money which composes the security fund is a third of the amount of paper money, *three and three* will in this way not be equal to *six*, but only to *five*.

The Security Fund of the Bank of England.

The security fund of the Bank of England is composed exclusively of precious metals, part in the form of *English money*, part in the form of *bullion*, or of minted money of other nations.

Into the composition of this fund there enters neither the paper

¹[Cf. *An Answer to a Paper called A Memorial of the poor Inhabitants, Tradesmen, and Labourers of the Kingdom of Ireland*, 1728.]

money of the other banks nor the inconvertible notes of the government or of the East India Company. The promise of this paper is to pay in metallic money: hence metallic money or metal convertible into money is the sole security fund of that great bank.

The greatest quantity of specie coined in the course of a year (1777) amounts to £5[000,000]—average for each working day, deducting 66 days for Sundays and feast days, £16[000]. As long as the Bank can hope to draw from the Mint a quantity of specie sufficient for the demand, it is in its interest to keep the gold in bullion as long as possible. For each ounce of gold, they receive from the Mint, if the standard is identical with that of guineas, the same weight, representing in specie the value of £3 17s 10d $\frac{1}{2}$. The price which they give to the merchant for each ounce of gold in bullion is £3 17s 6d. The profit which they make on that ounce in sending it to the Mint is 4d $\frac{1}{2}$: a little more than $\frac{1}{2}$ per Cent.¹ But it frequently happens that the price of gold of that degree of purity is very much higher. An ounce has sometimes been sold for £4.4.[4] or more. The profit of the Bank for each ounce sold at that price would be 6s 10d instead of 4d $\frac{1}{2}$. Instead of $\frac{1}{2}$ per Cent¹ interest [9] per Cent. On all the gold bullion which they transform into specie, they lose the chance of selling it at this favourable price.

But the profit which they make from minted specie, moderate though it is, is so much gained without risk and without trouble [and] from a capital which would not otherwise bring anything. It is true that if this capital does not give them any interest while it remains at rest, the paper which they give in payment for the gold does not cost them any interest either. They can issue an unlimited quantity of it without fear against such a pledge. If the paper thus issued comes back to them to be exchanged against specie, all they have to do is to have minted an equal portion of the bullion which they have bought with that paper: and in the same measure in which they lose their specie, they regain the portion of paper which was in excess. Far from losing by that operation, it constitutes their profit: for it is only in proportion to the paper which comes back to them that they resort to new coining, and it is in proportion to the coining that they gain the difference between the purchase price of the gold and the price of the guineas which they receive, i.e. the $\frac{1}{2}$ per Cent profit.¹

¹[The MS reads “2 pour cent”.]

On the average of the four years ending in 1756, the average quantity of the Bank Notes in circulation was 11 millions.¹

The average of the security fund, money and bullion together, was a little higher than half of this sum, namely £5,677,375.

But it must be observed that of these four years half was a period of extraordinary exhaustion: and that in the three preceding years which better represent the habitual state of this security fund, the amount of the fund was almost double that sum.

It is true that for these three years the record of the notes in circulation is not available, but there are documents according to which it can be estimated that their amount was smaller rather than greater than in the four years which followed.

The Security Funds of the [Private] Banks.

In the proportion of the edifice to its base, so, according to the quantity of paper thrown into circulation by each banker on the strength of a given quantity of cash, the sum total of paper money and of the means of circulation is encreased.

All that, in the judgment of the banker, may help him to obtain money in specie or what is received as such, will enable him to keep less in specie, or to issue a proportional mass of paper, whenever he finds it practicable and profitable. ²The more he has of a paper that is regarded as sound, the more he can put into circulation of his own species of money.³

In this way the paper of a bank (supposing it good) will form a base and even a very commodious base, for the paper of another bank and *vice versa*: A takes the paper of B, B takes the paper of A, and thus with each step the edifice encreases in height to an indefinite extent, while the base remains all the time the same.

This may happen in different ways. A may, with the intention of excluding B from the banking trade, make it his business to impound as much as he can of the paper of his rival in order to present it to him all at once and to try to drive him into a state of bankruptcy. True it is that this plan of hostility is not without danger: for if a portion of this paper suffices to render him insolvent,

¹[Marginal note: £10,982,335.]

² ³[As this passage is written on the margin of the page, it is possible that it is an addition from Dumont's pen—possible but not likely.]

the rest of it will suffer a corresponding loss ¹according to the number of shillings that are paid in the pound.²

It is clear that a banker, unless on motives of friendship, will not put the paper of another banker into circulation, since, for each note that is not his own, he is prevented from employing one of his own to the same amount, and from making a profit on the emission of his own paper: whereas if he keeps the strange paper (supposing it good) as security fund, he may in due proportion augment his own issue.

The manner in which the banks will reciprocally send each other their notes for reimbursement will depend on their degree of confidence or distrust, on their state of amity or enmity. In the case of amity, the time will be chosen which is most convenient for the bank of which payment is demanded: in the case of enmity the time which is supposed to be most inconvenient.

It results from what has been said about the banks 1. that, by the nature of this trade, the base has a tendency to become more and more uncertain and feeble, to consist in an ever greater quantity of other kinds of paper, and in an ever smaller quantity of specie;

2. that, consequently, the quantity of paper of each banker in actual circulation is not all that there is of it in existence, but only a part: the other part not being in circulation;

3. that the portion of bank paper which is in reserve with various bankers, far from diminishing the means of circulation, can only augment them, because as much as is kept of this paper money, so much of other kinds is set free which contributes to form the base for a further augmentation of paper money.

Let us consider in which eventualities—ordinary or extraordinary—a banker will be called upon to give specie for his paper.

1. By a need for small [?] change: that is to say, for money of a kind that is smaller than his notes: for instance if shillings are wanted in commerce in order to make up odd sums in accounts &c.

2. By the presentation of his paper on the part of other bankers, whatever the motive that induces them to make that demand.

3. By an alarm: that is to say, by the apprehension that this paper might in the near future be depreciated or even lose all its value.

4. By those of his customers who, having accepted his paper, have

¹ ²[In brackets.]

to change it back into specie for transactions in the Metropolis or in the provinces where this paper is not accepted.

The need of small money for change is the only permanent case because of which money in specie can be demanded from the banks in exchange for their paper.

No abundance of large money can make up for the dearth of small money.

If this dearth makes itself felt, there will arise a demand for metallic money instead of paper, a demand which will have the same appearance as if it were caused by a lack of faith in paper money.

This would be the main inconvenience from the suppression of bank notes of one pound and two pounds: this suppression, causing as it would a continual need for *change*, would produce the appearance and soon the reality of a *lack of confidence*.

The masses of immovable property such as houses and plots of ground cannot be considered as forming part of the security fund of a bank, as tending to replace cash, or to diminish the quantity of specie which the bankers need in order to meet demands. This incapacity depends on two circumstances: 1. the indivisibility of the article. £20,000 in annuities may be sold in parcels of any size. £20,000 in land is not susceptible of division in the same way. A farm can be sold, but it cannot be divided;

2. the slowness of the operation of transfer. In the Metropolis an hour is sufficient to procure money in exchange for an Exchequer Bill or an East India Bond. How much time is required to complete the transactions connected with the sale of an estate or a house? It is exceptional if it can be done in six months.¹ A delay of this nature is incompatible with the obligations of a banker.

The impossibility of grounding a bank on security funds² consisting of territorial possessions has been well demonstrated in the case of the bank in Scotland of which Adam Smith speaks under the name of *Air Bank*.³

What proportion should the security fund bear to the mass of circulating paper of which it is the base?

Adam Smith had calculated in 1775 [*sic*] that this proportion

¹[The words "*en Angleterre*" in brackets following this sentence are left out because they are obviously an addition of Dumont.]

²[It is impossible to decide whether the text reads "*sur les fonds de sécurité*" or "*sur un fonds de sécurité*".]

³[*Wealth of Nations*, bk. II, ch. II.]

ought to be [1] to [5].¹ Mr Boyd writing in 1798 has described it as being 1 to 3. This evaluation deserves particular confidence in view of the fact that it comes from a banker of the first order [and is contained] in a publication addressed in particular to all his fellow bankers.² It is clear that this proportion is not strictly true for all banks or for each bank at different times, that it must vary according to circumstances, rise or fall according to the spirit of the time, according to the degree of confidence or distrust which exists, but in the last resort this proportion, taken as a mean, is evidently the most correct and the most certain which can serve as a basis for the practical conclusions that may be drawn from it.

The Security Funds of the Provincial Banks.

The security fund of the provincial banks for the emission of their paper money is of an entirely different kind.

It may be divided into two portions, the *extraordinary* security fund as it may be called, and the *ordinary* security fund.

Each provincial bank keeps up a constant correspondence with one of the banks of the Metropolis. This connection has in several respects the effects of an association. By the *extraordinary* security fund of a provincial bank I understand the help of every kind which it can receive and does receive from that associated bank.

By the *ordinary* security fund I understand the average surplus in cash which it keeps habitually in its coffers, beyond what it is called upon to pay out each day.

It is plain that what I have called the *extraordinary* fund will be of the same nature as what composes the security fund of the London banker, and that if it is separated from it for the service of the provincial bank in order to replace the ordinary fund, it must be composed of the species of money of which that bank stands in need.

Exchequer Bills and India Bonds, in view of their size as well as of the variations of value to which they are subject, would not be suitable for the formation of the security fund of these provincial banks.

What composes this fund is in the first instance a certain quantity

¹[*Wealth of Nations*, bk. II, ch. II.]

²[According to the *Dictionary of National Biography* and the British Museum's *Catalogue of Printed Books*, Boyd published no pamphlet before 1801.]

of effective money—notes of the Bank of England since they have been made for one pound and two pounds st., and even paper of rival banks. It is a common enough custom, so it is said, for a provincial bank to receive the paper of another provincial bank only in order to pass it on as soon as possible, but this usage would be in a certain sense an act of mutual hostility, and mutually obnoxious.

The ordinary security fund of each bank must be the greater the more distant it is from the capital, and the more time it takes in consequence to receive help from its associated bank. If six days were needed at Newcastle to draw on a fund in London, the bank of that town must have a quantity of cash equalling six times the greatest quantity that can be demanded in a day at Newcastle, beyond what would be necessary for the same bank if it were situated at a single day's distance from the Metropolis.

The institution of mail coaches must have produced a rather considerable effect on the circulation of money.

*Chapter 11. Of the Security Funds of the Private Banks of London
which do not issue Paper.*

With regard to their composition and to the proportion of their debt, the security fund of these private banks stands on an entirely different footing from that of the National Bank.

The latter, as we have just seen, is exclusively composed of metallic money and of bullion convertible into money. The main security fund of the private banks is kept in metallic money and in paper of the Bank of England.

To this must be added, though in a proportion which it is very difficult to know, a certain quantity of interest-bearing government paper and of East India Bonds.

¹The normal quantity of Exchequer Bills is in times of peace approximately 5 millions and a half: that of East India Bonds 2 millions more: in all, 7 millions and a half.²

Hence, on the one hand, the masses kept in reserve as security fund for the banks tend to diminish the efficacy of the existing mass of money: but as a certain proportion of these government papers enters into that security fund, and in so far as that fund is composed of paper of that kind, a greater quantity of metallic money and

¹ ²[This passage is in brackets.]

Bank Notes is left in circulation, and it is clear that these kinds of paper contribute to that extent to the augmentation of the means of circulation and may exert an indirect influence on prices.

[Chapter 12.] *Diminution of Value by Encrease of Money.*

Each sum of money that is introduced into circulation has two opposite effects—it adds to wealth in one sense, and in another it diminishes it: it adds to the wealth of an individual or of a class of individuals, and, sooner or later, it diminishes the wealth of another individual or of another class of individuals. It adds to the wealth not only of an individual, but of the whole community, because when it is given in exchange either for productive labour or for an article already produced, it gives birth to a portion of wealth which would not have existed otherwise. It diminishes the wealth not of the community in general, but of certain classes of the community, because by encreasing the quantity of money it diminishes its value in comparison of the value of all the saleable articles. The original mass of money before the addition was equal in value to the whole mass of objects offered for sale. After the addition, the value of the augmented [mass of] money is still equal to that of the objects for sale, but it cannot be greater because there is no more to give in exchange for that surplus—hence each piece of the old money undergoes a diminution [of value] which is exactly proportional to the quantity of the new money. If the old mass was £20,000,000 and the new £100,000, these hundred thousand are the two hundredth part of the twenty millions and the effect of this introduction is to rob each portion of the twenty millions of a two hundredth part of its value.

Hence any person who introduces into circulation a new sum of money imposes on the sum total of money held a tax equal to the amount of the new sum.

Thus hardly has security with regard to property been established than a new principle of insecurity, which seems to be inseparable from it, manifests itself.

But this infringement of security is very different from all others: it can be foreseen and regulated: it is not a sudden evil, it is not a shock that spreads alarm; it is not a blow which endangers all the rest: it is an evil against which we can defend ourselves by

various precautions, and which can perhaps be reduced^d to small dimensions.

It is remarkable that this principle of insecurity is born of the perfection of security. Only the greatest confidence in the administration of justice¹ could have created the fiduciary basis² for the issues of paper which have so strongly reduced the value of money.

¹ ²["*qui ait pu accréditer les émissions.*"]

BOOK II. OF THE RISE OF PRICES AND THE EFFECTS OF PAPER MONEY

[Chapter 13.] *Of Prices.*

By the *price* of an article is generally understood the quantity of the matter of wealth which has been given in *exchange* for that article.

And as money, once it is introduced into a country, is the species of wealth which generally serves for the exchange of all others, the *pecuniary price* is meant when the word price is mentioned without further explanation.

This follows also from the fact that, as money is the only article employed as a common measure of the value of all other articles, it is only by considering the price in money that a clear idea of its height can be formed.

Price, in common language, thus presupposes purchase and exchange: it describes the money, or any other thing given in exchange, which has effected the purchase.

In a figurative sense one can speak of the price of an article although it has never been the subject of an exchange. One can even speak of the *labour* through which a thing has been produced by an individual as the *price* which he has paid for it. But paid to whom? for a price presupposes a payment, and a payment presupposes a person to whom it is made. The price in this case is paid to an ideal entity, according to the occasion, for instance to nature.

By the *prime cost* of a product I understand the sum of money which has been spent in various prices in order to bring it into its present state, including the prices of the materials of which the article is composed, that of the matter consumed in the process of production, for instance fuel, that of labour, the price which has been paid for the use of the land, or of houses, of utensils, tools, in a word all the instruments which have served to make or to transport or to preserve it.

These component sums, taken separately, are, with regard to the greatest number of articles, so enveloped in each other that it is almost impossible to disentangle them with any degree of precision. Take an article of the meanest value which has passed through a certain number of stages of labour, for instance a pin—its

preliminary prices will be fractions of which the greatest will be infinitely beneath the smallest piece of money.

Fortunately these researches are rarely necessary, at least for the buyer who is the consumer, because all these fractional elements of the prime cost in money are summed up in the definitive price.

As the prime cost in money gives the sum of the elementary prices which cannot be discovered separately with certainty, it also represents faithfully enough the sum of the portions of labour which have been employed to bring the article into its present state.

Prime cost is a relative term. The prime cost of an article is what it has cost in labour or in money to the person in whose hands it is at a given time.

The same individual article may thus on different occasions have had successively different prime costs. Take for instance a piece of cloth. First prime cost, what is paid to the manufacturer: second prime cost, what is paid to the wholesale dealer: third prime cost, what is paid to the retail merchant.

This is the *maximum* of complication. In the case of a lot of mushrooms gathered by a woman on a common and sold to the consumer, we have the *maximum* of simplicity. Prime cost in money, none. Prime cost in labour, collecting and carrying the article until it has found a buyer. Price paid for the use of the land, none. Materials used for preparation, none. Tools, none. Stores, none.

If, instead of being sold directly to the consumer, the mushrooms pass through the hands of a retailer, who has his stand on the market, there is first the prime cost in money (what he has paid to the woman), say 1s, and there is then the selling price to the consumer, say 1s 6d.*

*The distinction between prime cost *in labour* and prime cost *in money* has been started, if I am not mistaken, by Adam Smith. He distinguishes in the price of an article the price in money and what he calls the price in labour or *real price*.¹ But in speaking of price either in money or in labour, he does not explain whether he means prime cost or selling price; no more, in speaking of prime cost, does he explain the gradations of which it is susceptible according to the various classes of hands with regard to which the word may be used. Instead of the term *costs*, which is applicable in all cases because it does not presuppose exchange, he employs the word *price*, which in its common signification implies the idea of exchange. It is not more difficult to say *cost in labour* than to say *real cost*: and the word is less ambiguous and less obscure. One must be well informed to suspect that there is a difference, and even a very great difference, between *real price* and *actual price*. On the same page where Adam Smith employs the word *real price* as a technical term, and as a preferable substitute for *cost in labour*, he uses "*actual price*" to express, not the real price, but the market price.

¹[*Wealth of Nations*, bk. I, ch. V.]

When we wish to compare the general price of various articles over several years, only the *definitive*, and not the *preliminary* prices are to be taken into account: the prices paid by the consumers, and not the prices paid by the different intermediary agents who have brought the article in question to the point of being fit for use. In fact, it is only the definitive price which influences the effective value of income: it is only by the rise of definitive prices that the purchasing power¹ of an income of a given nominal amount is diminished.

If we wished to take these preliminary prices into account, we should deceive ourselves unceasingly in the results. Of two articles which draw the same sum of money out of the pocket of the consumer, the one would appear more expensive than the other in proportion to whether it was composed of a greater number of preliminary prices.

Take for example a dozen pullets and a yard of cloth, both costing the consumer a guinea: the pullets, coming directly from the farm where they have been fed, would not, by the supposition, have any intermediate prices: the cloth, having passed through all the hands through which it usually passes before arriving at the consumer, would appear charged with intermediate prices to the amount of several guineas. It has been sold to the consumer by the tailor at 21 shillings, to the tailor by the retail merchant at 20, to the retail merchant by the wholesale merchant at 19, to the wholesale merchant by the manufacturer at 18. The manufacturer has given so much to the carder, so much to the weaver, so much to the dyer, and so forth, dividing the price among the various artisans until you come to the farmer who has sold the wool.

It is useless, in comparing the prices of various years, to take into account these preliminary prices, as they are all included in the definitive price. They may vary in relation to one another from year to year without variation in the definitive price.

Another reason for excluding the preliminary prices from the account is that in various cases it would be impossible to follow them in all their ramifications. When the price is whole at each transaction, as is the price of cloth between the manufacturer and the wholesale merchant, or the wholesale merchant and the retail merchant, the difficulty would not be insurmountable: but when the price is broken up into a multitude of constituent parts, as in

¹["l'effet."]

the case of weaving, dying, &c, there would be no way of achieving any precision.

[Chapter 14.] *Of the Causes of Rise and Fall in Prices.*

In considering the causes of the rise and fall of prices, it is essential to begin by making a distinction between *immediate* and more or less *remote* causes: otherwise causes of a contrary tendency will be thrown together and it will be impossible to form clear and precise ideas.

Let me explain. Among the circumstances which call forth a rise in the first instance, there are several which call forth a fall in the second instance. An influx of new money into the market will make all commodities proportionately more expensive: but that augmentation of prices, as it furnishes means and encouragements for the production and introduction of an extra quantity of these commodities, has a tendency to make them proportionately less expensive, once that cause has had *time* to operate.

The causes which influence the rise of prices may be distinguished into two classes: 1. those which affect the mass of money; 2. those which affect the mass of saleable objects.

By causes which affect the mass of money, I mean all those which produce an augmentation in the total of the pecuniary sums disbursed during the year on the score of revenue.

This total of expenditure may be augmented in two ways: 1. by an encrease of pecuniary means, the proportion between receipt and disbursement remaining the same; 2. by an encrease in disbursement alone, revenue remaining on the same footing as before.

This encrease of expenditure without encrease of revenue is not at all in conformity with the habitual dispositions of men; it cannot take place in a community except under extraordinary and temporary circumstances, such as a state of famine or war. Famines affect principally the price of victuals: the war, independently of local devastation, affects the price of the objects of which it encreases the consumption, and of those which it makes more expensive to import.

These two causes suffice to bring about, each in its sphere of action, a rise of prices, and even a considerable rise, without any addition having been made to the mass of money.

These two cases excepted, prices can only rise by reason of a pecuniary augmentation in the mass of the national revenue, that is to say, in the total of individual revenues: and that augmentation can only take place by the addition of a new quantity of money, or by a greater rapidity in its circulation.

In fact, the landed proprietor can make a habitual addition to his expenditure on consumption only if his farmer pays him a more considerable rent: the farmer can make that addition to rent only if he himself receives a greater sum for the products of his farm; and he can receive that greater habitual sum only if he encreases the quantity of these products or the price which he obtains for them: but he can encrease the quantity of these products only by making an addition to the mass of his productive capital; and the price cannot receive a habitual addition [*sic*] unless there has been an augmentation in the quantity of money employed for this kind of consumption by his customers: this again presupposes on the part of the customers themselves a total encrease in the mass of their revenues.

Thus it follows that, taking all in all, we can look for the cause of the permanent encrease of prices only in the encrease of the effective force, i.e. the quantity, and the rapidity of circulation, of the mass of money.

Hence the immediate cause of the rise of prices is the augmentation of the mass of money employed in expenditure on consumption: the immediate cause of that augmentation lies in the encrease of the total sum employed in the form of productive capital. But from the same cause results a proportionable encrease in the quantity of saleable commodities. If these two encreases took place at the same time, if they were not only proportional, but equal, it is obvious that prices would always remain the same. The simple fact of the rise of prices is a proof, and a conclusive proof, that the encrease of saleable commodities does not march in step with the encrease of the effective force of the mass of money, and the same fact is an indication of the difference between these two encreases.

If this conclusion appears true after a general view of the subject, it appears still more so when the details are examined. Before an article of merchandize is finished and ready to be bought by a consumer, it has passed through a great number of working hands, between whom the new capital has been divided: but as the money

is paid to the workers from week to week or from day to day and employed by them as soon as received for expenditure on consumption, the resulting addition to the mass of money contributes immediately to the rise of prices, and produces that rise long before it can produce the contrary effect of encreasing the quantity of saleable commodities which should lead to a fall. The interval which elapses between the production of these two opposite effects differs a good deal according to the diversity of articles: but it is obvious that the augmentative effect with regard to prices always precedes the depressive effect, and it is proved by the final result that it surpasses it.

[Hence] the causes which operate a rise of prices in general, i.e. in the sum total of prices, may be referred to the following two heads:

1. Any cause which produces an addition to the mass of money in circulation, either metallic money, or paper money, or unwritten engagements [*sic*] i.e. simple promises of future payment.
2. Any cause which adds to the rapidity of monetary circulation.

[Chapter 15.] *Effects of the War on the Fall and Rise of Prices.*

We have said that war raises the price of the articles of which it encreases the consumption, and of those the importing of which it renders more expensive. We are going to see that war has a more general effect, to produce a fall in the totality of prices.

In the situation of Great Britain, war causes a continual addition, while it lasts, to the mass of government annuities (what is usually, but improperly, styled the public funds). This addition can only take place by a subtraction of a proportionable part of the capital employed in productive enterprises, manufactures, amelioration of the soil &c; now, as this use of capital in productive enterprises tends more, as has been seen above, to augment the prices in the first instance then to reduce them in the last resort by augmentation of saleable commodities, it follows that all that diminishes this productive capital has a tendency to make prices fall. The effect of war on prices, at least in this respect, is thus not, as is generally believed, to raise but rather to reduce them.

That war, by a variety of means, and in particular by this absorption and diversion of productive capital, diminishes wealth, is denied by nobody. But the connection between rise of prices and

increase of wealth (at least to the degree which we see in England) is inseparable, as we have noted: consequently, the effect of the war on prices in general cannot be to raise them; it must certainly reduce them or at least keep them lower than they would have been in a period of prolonged peace.

The evils of war are so numerous, so varied and so great that a disposition must naturally arise to attribute to it all inconveniences which may make themselves felt during its progress, at least all those which can be attributed to it without falling into palpable absurdity. But whatever the evils may be which result from it, it cannot produce at the same time opposite and incompatible effects—and effects such as rise of prices and diminution of wealth are, in a country such as England, opposite and incompatible.

Diminution of wealth is an evil; rise of prices is another evil; but these evils are incompatible.

The rise of prices is an inseparable accompaniment of prosperity: but war cannot produce two effects in opposition to each other; if it arrests the progress of prosperity, it must at least slow down the rise of prices.

The unfavourable effects of war on wealth may be ranged under two heads, *devastation* and *expenditure*: the first is up to a certain point accidental; it depends on the enterprises and on the success of the enemy. The expenditure is certain and inevitable; it is proportional to the efforts of the country itself for its defence and to the manner in which these efforts are directed.

Under the system of borrowing and funds for amortization, the expenditure of war may be divided into three branches: 1. the disbursement of the money levied by the sale of government annuities: an expenditure defrayed by the individuals who advance the money under these conditions; 2. the expenditure which consists in the annual payment of these annuities possessed by the buyers, an expenditure defrayed by taxes; 3. the expenditure applied to the redemption of these annuities, an expenditure defrayed by the continuation of the same taxes.

This subtraction of productive capital occasioned by the war and the application of it to uses which are unproductive (but necessary for the protection of the country) is the principal effect which must be considered with regard to wealth and prices. The amount of the annuities, as it is levied by taxes, is so much taken from the revenues of all classes of the community together: but it is so much

added to the revenues of a particular class of the same community, the class of annuitants and proprietors in the funds.

War has an influence which will not be denied on the reduction of the prices of what I have called *sources of revenue*. The effect of an addition to the mass of government annuities is to lower the prices, not only of these annuities, but also of the funds of the East India Company, of houses, and of the land.

[Chapter 16.] *Encrease of Prices due to Famine.*

Famine increases the total amount of prices for a certain time without any encrease in the mass of money.

In order to understand how this takes place, it is necessary to begin by making a distinction between an encrease in the totality of prices (of the prices which affect revenue) and an encrease in this or that particular price.

An encrease in the totality of prices cannot come about in a permanent way by any cause but an encrease of money beyond the [accompanying] encrease in the mass of saleable articles.

A temporary encrease in the totality of prices may result from unfavourable seasons during which, as agricultural products are extraordinarily scarce, the prices required for their purchase are extraordinarily high: from whence it follows that the total amount of money employed for the purchase of these products encreases a good deal in proportion to the total amount of money employed to constitute the prices of all other articles.

But as there is a rise in prices without an encrease in money, how are the means for this extraordinary demand furnished? how does the buyer who is no richer than before, find this additional money?*

1. There is a reduction in the total amount of the consumption of the articles bought for that extra price. A family who consumed five pounds of bread a day, now consumes no more than four.

2. There is a further defalcation from the total amount [of the consumption] of various saleable articles; and part of the money annually employed for the purchase of these various articles is transferred to the purchase of victuals; in other words, expenditure on luxury goods diminishes.

In this case, the price of these various saleable goods will not fall

*The sum total of money often diminishes in a time of famine because of the importation of victuals which must be procured from abroad.

in proportion to the diminution of the sum of money employed in their purchase. The total quantity bought is smaller, and production of some of them diminishes. A year of famine for victuals of the first necessity operates as a tax on all things which are not indispensable. However, there are several the price of which continues to decrease in these years: they are those the extra price of which depends on their scarcity rather than on the quantity of labour expended in their production.¹

As famine makes labour more expensive, it raises in proportion the price of all that proceeds from it.

3. There is a further defalcation from the quantity of money which would have been put into savings and added to productive capital. Whoever would have invested £20 in the public funds or in any other productive way, applied them for [covering] the extra price of victuals.

4. There is a kind of addition to money by purchases on credit; this accelerates the circulation of money in the current year, while it retards the circulation of the following year.

5. A portion of the capital already lent out or placed in various productive enterprises is withdrawn by the lenders and transferred to the purchase of victuals.

6. A positive addition to the quantity of money may take place by the melting down of plate and of gold and silver ornaments which had been dormant values and [now] enter into circulation.

In order better to understand how this encrease of (consumptive) expenditure in the community as a whole is effected, it is only necessary to consider what happens in the case of each individual of the frugal class, i.e. of the most numerous class. Pressed by his needs, he spends *more* and saves *less* or even saves nothing at all; as he has more to pay to procure himself the same quantity of goods for consumption, as he has for instance to pay twice as much for the grain which he consumes, and as he cannot subsist on a quantity sensibly inferior to his usual provision, he has so much the less money to save, i.e. to employ in a productive manner, either by keeping it reserved for a future contingency, or by investing it in the purchase of an annuity or a piece of land, or by depositing it in the hands of a banker who puts it to use &c.

If the famine becomes more acute or prolonged, it may happen that the individual is forced to consume in this kind of expenditure

¹[Here follow the words "*par ex.*" but no instance is given.]

not only his whole annual revenue, but also to encroach upon the revenue of future years, that is to say, either to take the very things he stands in need of on credit, or to borrow money to be returned in the future: all operations which, without making any positive addition to the mass of money, have almost the same effect, because credit is the substitute of cash.

[Chapter 17.] *Causes of a Contradictory Tendency with regard to the Rise of Prices.*

[In the normal course of economic life, certain developments are liable to take place which cannot fail to exert an influence on the prices of saleable commodities in the country, be it to raise or to reduce them. These developments may be listed under the following seven heads.]

I. Encrease of national frugality.

It will be found that there is a difference in the effects resulting from this cause according to the circumstances of the country which is under discussion: whether its effects are considered for instance in a country such as Great Britain, where the banking system is so extended, or in countries such as Italy and France, where it is so undeveloped.

Suppose an encrease in the habit of frugality, its first effect will be to diminish the mass of expenditure on consumption, to deduct from that mass a portion of the money which had been employed in that way: the immediate effect of it will be a reduction in the sum total of prices, but this reduction will last only until the time when the stock of goods which existed before the new system of saving is sold: for the ulterior effect will be, in view of the reduction of the price, a diminution of encouragement, a diminution in production for all the articles which have experienced that fall, and in consequence a subsequent encrease of the price.

In order to observe the effects of this habit in a community, let us see what would happen in the particular case of an individual. Let us trace the effects of a guinea which he was in the habit of spending on consumption, and which he now wishes to apply to some productive purpose.

1. He himself employs it in a productive way: for instance, by paying some workers for an additional hour of work each day of the week. Let us assume that they spend this additional income

on consumption in the measure in which they receive it, and in the same time in which he himself would have done so.

On this assumption the sum total of prices will not be changed: but what may come about is a change in the price of certain articles: the master would have spent the guinea on wine or poultry; and would have contributed *pro tanto* to raise and to maintain the price of these victuals: the workers will spend it on butcher's meat and on beer, and the same effect will result for the price of these two articles.

But from another point of view the difference with regard to the sum total of prices will be clearly visible: drinking his wine, the master would not have produced anything, would not have contributed anything to encrease the number of articles for sale: the workers drinking their beer have produced an addition to the mass of saleable things, an addition which would not have existed if the money in question had not been received and spent by them.

If the produce of their labour had been ready to be sold at the same moment when they spent the guinea, it would have been found that there existed in the community additional merchandize to the value of at least a guinea and that would have reduced *pro tanto* the price of that merchandize.

It is true that this supposition is almost purely ideal. Expenditure has been immediate, production is more or less slow: as far as the time between the work and the sale of its produce is concerned, there may pass an interval of days, of weeks, often of several months, and often even of several years.

The following operations offer the example of an extreme case of this kind [*sic*].

1. Picking mushrooms for human consumption. 2. Collecting acorns. 3. Spreading manure on a field for sowing &c. 4. Building a stable. 5. Building a granary for the storage of grain. 6. Repairing roads over which the carts are going to pass &c.

2. Suppose a second case: the case where the guinea saved is lent to some individual, who borrows it to employ it on some productive expenditure.

If the employment of that guinea by the borrower coincides in point of time [with the borrowing], that is to say, is as prompt as in the case which we have just supposed, the effect on prices will be exactly the same. If the borrower, as is mostly the case, is obliged to collect several guineas for his enterprise and to wait with its start

until he has a great sum at his disposal, these delays occasion a postponement in the employment of the money and a temporary diminution of its effective force.

3. Third case. Let us suppose that the guinea is lent to some individual who borrows it for some expenditure on consumption.

The result of this investigation is curious, instructive and worthy of attention. In the two cases mentioned above the mass of saleable things had received a manifest encrease which, at least in the first instance, was bound to produce a fall in prices. In this third case it seems at first sight that there is nothing of the kind, but by examining the supposition a little more closely it will be seen that this is a misapprehension.

In order to place this error in the most favourable light, let us suppose that this expenditure on consumption is of the most useless kind, that it is the expenditure of a prodigal who, using his capital in the form of income, spends his last guinea in this way. The sum of money which in a given community is annually spent in prodigality stands, in comparison with the sum which is spent in that community in a profitable way, in a certain fixed proportion which is always very small, and which is by no means encreased by the accident of a guinea which is employed for that purpose in preference to any other. What, for this purpose, is borrowed from one individual, is not borrowed from another. Hence this guinea of savings, if it is lent to a prodigal and employed in prodigality, leaves another guinea free and available for the service of production.

4. In the fourth place let us suppose the guinea sent by its owner to a banker for some future use, or to serve for the purchase of some source of revenue.

On this supposition the effect of the saving may appear as advantageous as in the first case, or at least as in the second. On looking more closely into the matter it will be found that its effect in adding to the mass of saleable things is not quite as great. It will be subject to two diminutions, the one on the score of quantity, the other on the score of rapidity.

1. On the score of quantity. In the first two cases the whole guinea has been applied to a productive purpose. In the case where it is deposited with a banker, only a part of the guinea serves for that purpose. The banker cannot dispose to the borrowers of all that he has received from the depositors: he can dispose at the most of two thirds: he is obliged to keep the remaining third in reserve

as a security fund in order to meet the daily demands of those who have deposited their money with him.

2. On the score of rapidity. In the first case the guinea of savings has been applied without loss of time to its productive purpose: in the present case there may be an interval, subject to variation from a thousand causes, between the moment when the guinea is deposited with the banker, and the moment when it passes from his hands into those of a borrower who employs it in productive expenditure.

5. Lastly let us suppose that the guinea, instead of being put into circulation, is for an indefinite time put into a chest and kept there.

This case is the opposite of all the preceding ones: they all agreed in producing two common effects, an addition to the mass of saleable things, i.e. to the mass of real wealth, and a more than equivalent addition to the effective force of money, an addition which tends to raise prices in spite of the contrary influence of the addition made to the mass of saleable things.

Hence the effect of the money kept hoarded, in comparison with a productive employment, is to keep prices lower.

After having compared this fifth mode of which the practice of frugality is susceptible with the first four, let us now compare it with a contrary mode of conduct, namely the disbursement of the guinea in unproductive and consumptive expenditure. It is spent on wine or poultry—what will be the effect on prices?

By this use the owner of the guinea takes away from the mass of saleable things beyond what would have been taken from that mass in the case where he would have kept it in a chest: at the same time he does not diminish the quantity or the rapidity of the mass of money in circulation. The effect of an addition to the mass of saleable things, while the quantity of money remains the same, is a fall in prices: the effect of a diminution of the mass of saleable things, as in the case before us, will consequently be a rise of prices.

But it must not be assumed that, in an expenditure of pure consumption, the whole sum which is devoted to it is absorbed in that act of consumption: in other words, the real consumption is less great than the apparent consumption. On every hundred guineas spent on the purchase of consumable articles, there is a mercantile profit which remains in the hands of the manufacturers and merchants, and of which a certain proportion will be added to the mass of their respective capitals. Suppose that the mercantile profit on

the article in question amounts to 20 per Cent all told, and that the fourth part of that profit, 5 per Cent, is the proportion added by them to their respective capitals, to be employed in productive expenditure, the three other parts being absorbed by their consumptive disbursement—it is seen that finally, after a certain period of time, there is made, out of all these sums spent each year on pure consumption, and by these very disbursements, an addition to the mass of productive capital, and consequently to the mass of national wealth, beyond what would have existed in the same community if these sums had remained all the time in the same hands without any employment. I am speaking here only of national profit, and I am not saying anything of enjoyment.

This is equally true with regard to all expenditure on consumption, whatever its object and form: whether it has for its aim the well-being of individuals, or the defence of the nation against its enemies: whether it be employed in the manufacture of white powder for the adornment of heads or in the manufacture of black powder for the loading of cannon. Of each £100 spent on the purchase of these kinds of powder, it is only part of that sum which has been used for the payment of the wages of the labour the produce of which has been consumed without being replaced in value. Of the £100 which the manufacturers and the merchants have received, about £80 have been paid for the labour expended in the production of the powder: the remaining £20 have been employed by them for the purchase of various portions of labour, either in expenditure of pure consumption, or in productive expenditure.

A collateral consequence which can be drawn from this observation is that, supposing the luxury of a country carried as far as it can be conceived in a sound civilization which gives security to property, the mass of national wealth must always go on encreasing. Let the rich and those in power spend all their revenue, as far as is possible, on superfluities, they cannot deprive the merchant of his profit on their expenditure: and as for the merchant, however strong the empire of fashion and imitation may be, he will not be able to rid himself of that disposition to accumulate which, to a greater or less degree, seems to be inseparable from his mode of life.

Hence whatever the manner of expenditure, the profusion of great land owners, courtezans, financiers, and military men, the merchant will not fail to levy a tax on prodigality for the encouragement and the encrease of industry and wealth.

Even Russia has not ceased to grow in wealth, although prodigality there is carried to its highest degree: for property is secure there. If Turkey is impoverished from day to day, this is not the effect of luxury: it is due to a political disease which arises from all the causes that render property uncertain.

II. Encrease of the mass of domestic products which do not enter into commerce, in proportion to the mass of products bought and sold.

In order to consider this [problem] from an abstract point of view, suppose that a number of articles have just been manufactured in the family circle, for instance among farmers and peasants, which previously were obtained by means of purchases; the effect must be to raise or to maintain the prices of all that continues to be the object of commerce: the less money (of the existing mass of money) is employed in one kind of consumption, the more money will be left available for all other kinds. The community may in this case be conceived as divided into two spheres: in the one all that is consumed is obtained without money: in the other, all that is consumed is obtained with money: the means of circulation which had been in the former sphere, having passed into the latter, could not have failed to receive there a proportional encrease in mass and efficacy.

The supposition which this case presents is not to be found in the ordinary course of things: it is alleged that, up to a certain degree, it was realized in France after the Revolution. Its necessary result would be a reduction in quantity of all the articles manufactured by these small, non-commercial enterprises.

III. Decrease of the mass of domestic products which do not enter into commerce, in proportion to the mass of products bought and sold.

This decrease is a result of that *division of labour* which plays so great a part in the work of Smith: but that division of labour is itself a result of an encrease in the quantity of money. The effect of the division of labour is to diminish the *costs of production*, that is, to diminish the quantity of labour necessary for the production of a given article.

In the case of products manufactured at home, the costs of production are not susceptible of the same reduction: from whence it follows that the price of the articles when they are bought and sold will gradually become less dear than the costs of production of the same articles when manufactured at home.

Thus a portion of the articles which the consumer had obtained without money can henceforth only be obtained with money. If in this case the mass of money was not encreased, the more money was employed for the purchase of these objects which were recently put on the market, the less of it could be employed for the purchase of those which had been on the market for a long time. It may be assumed that there are two markets, the old and the new. The more money the new market demands, the less there remains for the old. Hence to multiply the classes of articles which can only be had for money, without encreasing the mass of money, is tantamount to a diminution of money, and there must result from it of necessity a fall in prices.

But this supposition is not in agreement with the facts. The mass of money has encreased: and in a certain period it has encreased in a greater proportion than the mass of saleable articles. Hence it has come to pass that, in spite of the tendency towards a fall of prices which results from the encrease of saleable things, the prices, instead of falling in conformity with that encrease, have not ceased to rise.

IV. Encrease in the proportion of purchases made by way of barter to purchases made by means of money.

In this state of things, supposing it could take place, the effect on prices would be the same as in the case where there was an encrease of articles of domestic production and a decrease of articles bought and sold.

The more the space or the market is restricted within which a given sum of money may circulate, the more, and in the same proportion, will this sum tend, by its quantity and by its rapidity [of circulation] to encrease prices.

This encrease of exchanges or barter is a supposition which is not in conformity with the ordinary course of things. Barter or exchange in kind can exist to any considerable extent only through a lack of money. It is by reason of the inconveniences of exchange in kind that money has been introduced. This mode has long been banned from all commercial retail transactions.

In wholesale commerce, especially in foreign trade, traffic is carried on by way of exchange and will always continue to be so. A is in need of what B has at his disposal, and B is in need of what A has at his disposal. For them money would obviously not be of any use. In making their bargain, in defining the respective quantities,

money may serve them as a common measure, as a standard of comparison: but for their purpose it is not necessary that a single particle should be transferred from the one to the other, nor even that any should be in their possession. As A stands in need of a ton of port wine, and B in need of a certain quantity of grain, it suits the one to take the wine in exchange for the grain and the other to take the grain in exchange for the wine. But for anybody but wholesale merchants there are a thousand chances to one against such arrangements serving them.

V. Encrease of saleable articles affecting the amount of [the national] income.

I give as example of this kind of encrease the growing productivity of a manufacture or of the soil.

In so far as an encrease of this kind has for its immediate cause the employment of a greater capital in productive expenditure, the effect on prices is already known. Although there results from it an addition to the quantity of saleable articles, this addition is not only accompanied but preceded by a corresponding addition to the quantity of money, and even a more than equivalent addition, which cannot fail to produce a rise in prices. This is in fact an encrease in the quantity of money, disguised under the contrary appearance and under the name of an encrease in the quantity of saleable articles.

The only articles the quantity of which can have a considerable effect on the generality of prices are those which spring, not from human industry, but from the sterility or the fertility of the seasons. To this class belongs all that falls under the denomination of *virtuals*: and the virtuals comprise the greatest part of the articles whose price affects and determines the amount of all revenues: because the nature of the seasons produces such a difference in the *quantum* of the products of the soil that the national revenue may receive through it a considerable augmentation or diminution. This difference is too obvious not to be felt and recognized by everybody: but it is in the nature of man to be more impressed by evil than by good, so that a defalcation from the ordinary output of these products, if it occasions a rise in prices, excites a much higher degree of attention than an augmentation of these products, from which there results a fall.

VI. Requisitioning or taxation in kind.

Happily there is no example of this mode of taxation in Great

Britain. Necessity, the most imperious necessity, is the only cause which could give birth to it. It was in the course of a revolution, and it was in France, that it was put into practice.

Whatever its cause, the effect on prices is rather obvious. Fear, taking the place of money, leaves a proportional quantity of the means of circulation free and available for other uses: and this encreases the rapidity with which it can pass from hand to hand. The effect in this respect is the same as that of extension of traffic by means of barter, or of domestic production for domestic consumption without exchange.

VII. Forced money.

Of this, only too many examples have been seen: the great Frederick himself raised the volume of money¹ during the Seven Years' War.

Forced money may be considered as a chain of requisitioning² which implies a tax payable successively by each person who receives the money to him who gives it. The loss encreases all the time and the latest loss is sustained by the latest receiver. The profit of government consists in the quantity of objects of value which it obtains for that money in the first instance: and if it is taken back again by the government for its nominal value, the profit ceases the moment the money is thus received: in other words, government loses on receipt all that it gained on issue.

If the use of this forced money were restricted, like that of requisitioning, to a certain part of the country or to a certain class of the community, its effect, like that of a system of requisitioning, would be to set free a proportionate part of the mass of money and to encrease its quantity or to diminish its dearth: and hence to raise or to support the prices in the other districts.

But, different as it is in this respect from a system of requisitioning, it is of the nature of this [measure] to become universal [in its effects], to extend to all parts of the country and to all classes of the community. Thus the effect of it will be to encrease prices in a more obvious way, in the proportion of the total nominal value to the real value.

It is of the essence of this forced money to be subject to a depreciation in comparison of real money. Hence there arise of necessity two kinds of prices: the prices of things paid in real money, and the prices of things paid in forced money: and in proportion to the

¹["*le taux des monnoies.*"]

²["*une sorte de réquisition circulaire.*"]

depreciation, things will be paid for more dearly in forced money than in real money: yet this price in real money will also be higher than it would have been without the introduction of forced money. If this was not the case, it would prove the existence of some contrary cause such as e.g. the withdrawal of real money that goes into hiding, a very natural result of the introduction of forced money. Although there would be in point of fact more real money available than before, yet prices would fall if this money were withdrawn from circulation by a general disposition to keep it hoarded.

[Chapter 18.] *Prices—a Measure of Monetary Circulation.*

To say that in the second of two years prices are double what they were in the first, is to say that the same quantity of money is not worth more in the second than half what it was worth in the first; it is to say that a revenue of £100 is not worth more than £50.

It follows that the mass of money in the whole community, though double, is not worth more in the second year than it was worth in the first, in other words, that the community by doubling its money has not gained anything with regard to real wealth.

Thus it is that there can only be an encrease in real wealth when there is no rise in prices.

The amount of the rise in prices—of the depreciation of money—is in an exact proportion to that additional quantity of money which has not been accompanied and balanced by a corresponding addition to the mass of wealth.

The loss sustained by a certain class of the community as a result of the rise in prices is thus a loss without compensation for the community in general. Individuals are suffering, and the community is not gaining.

Very far from being a necessary accompaniment of the encrease of real wealth and a proof of that encrease, the rise of prices is a proof against the existence of that encrease.

An addition to money which is not accompanied by an addition to real wealth is of no value. An addition of the same quantity to plate would have its value, but minted money is not plate: and if it is converted into plate, it would no longer belong to the class of money, but to that of saleable goods.

Taking the totality of all the prices of the two years, if the prices

of the second year are higher than the prices of the first year, the quantity of money given or promised must have been greater in the second year than in the first.

By the quantity of money in circulation in a given space of time must be understood the quantity of money which has been employed in the purchase of saleable things during that time.

[Chapter 19.] *Propositions concerning the Rise of Prices.*

¹The following propositions contain properly speaking only proofs and explanations relative to the foregoing propositions. This form has appeared to me as the most appropriate for putting them in their strongest light.²

1. In the course of the present reign there has been a considerable encrease in prices, an encrease of which the march has been gradual although it has gained in speed in recent years.

2. The encrease here spoken of is in excess of what may have been produced in certain years by occasional causes such as bad harvests.

In the estimate which will be given below, care will be taken to deduct from the encrease what appears to have been the result of these fleeting causes.

Without an encrease in the relative quantity of money or in the rapidity of circulation, no dearth of grain or other victuals could produce a permanent rise in the general level of prices. All the extra sums which have been employed in the purchase of the articles that have become more expensive, must have been deducted either from the purchases which would have been made for other kinds of consumption, or from the various productive uses to which the annual economies out of income would have been put. If there has not been a permanent decrease in the production of the various saleable articles for which money is needed, there cannot have been a permanent encrease of prices, by which I mean the prices of all the saleable goods taken together, without a corresponding encrease in the quantity of money. All things considered, it was impossible to give more money for the commodities offered for sale unless there was more money to give.

3. Within the same period, there has been a considerable encrease in the quantity of paper money in circulation.

¹ ² [Crossed out in the MS.]

This is a fact of public notoriety and one which nobody denies. An attempt will presently be made to estimate that quantity.

4. There has been notwithstanding within the same period a considerable encrease in the mass of metallic money.*

*The quantity of gold and silver used at the Mint is the surplus of what is needed¹ for the various manufactures which use these metals, or for export.

As far as *gold* is concerned, its price can never fall below its value in its minted form, whatever its superabundance may be, because the office of the Mint is bound to give that price for it, whatever the quantity sent to it: that is to say, it is bound to convert into specie all the gold in bullion which it receives.

Gold in bullion is furnished to the Mint by the Bank of England and rarely by individuals. The Bank is an ever-open market for the purchase of bullion at a price a little inferior to that of the Mint. The individual finds his account [in submitting] to this slight sacrifice, because the value is paid out to him immediately, whereas in sending it to the Mint he would have to wait for an uncertain time until the specie was struck and all had passed through the various formalities of the office. The advantage for the Bank lies not only in this small profit which it makes on the seller, but also in the issue of an equal sum of its paper which it gives in payment, for which it receives a security fund of equal value, and which is not only in expectation as in the case of the discounting of bills of exchange, but immediately in its possession.

This explanation furnishes the answer to two questions for which I had in vain consulted Adam Smith and other sources. 1. In which way and by what causes does cash² receive an encrease? 2. Why is the Bank of England the only channel, or almost the only channel, through which gold in bars passes to the Mint and enters into circulation?

As far as *silver* is concerned, demand for the manufactures has been so constantly in proportion to importation that in the whole course of this reign it has always been above the price of the Mint. This explains why so few silver pieces have been struck in comparison of gold. If silver in ingots had been a little below its value in money, the proprietors of these ingots would not have failed to send it to the office of the Mint, which could not have refused to give for it the current price at its minted value, i.e. 63 shillings for each pound in weight.³ As ingots were always above this price, the government and the Bank could not have struck silver specie without loss. They would have had to give 63 shillings and something more for a quantity of metal which, after the cost of minting, could not have yielded more in specie than 63 shillings.

The demand for silver coins was constantly satisfied by the forgers who, at the risk of the gallows, served the public at a rate of profit proportionate to the alloy and the lightness of the specie issuing from their manufacture.

The metal which they did not put into their specie, was so much metal saved, which remained free to be converted into ornaments and into plate. The loss, as far as the past is concerned, was the loss suffered by the possessors of such of these counterfeit pieces as were finally put to the test and rejected from trade. The loss, as far as the future is concerned, will be the loss which will be suffered either in the same circumstances, or by those who find themselves in possession of these pieces if a new minting of money takes place, in consequence of which the current specie is withdrawn.

Why then has there during all this time been no new minting? Because if the operation had been conducted according to the established principles, it would have been so much expence in pure loss. No sooner would the metal bought at a high price have been converted into specie, than it would have passed into the melting pot, been reduced to

¹[The MS in fact reads: "*le surplus de ce qui n'est pas demandé*".]

²["*le numéraire*."]

³[Marginal note in English: "62 not 63 shillings".]

This addition is a fact established by official documents. The quantity of gold money coined in the present reign rose in 1801 to £44[000,000].

This is the amount of what ought to exist today, *minus* the quantity which has been melted down or exported without return.

I do not know any reason for the presumption that any considerable quantity has been melted down or exported without return. Mr Rose has seen fit to assert that the contrary opinion is without foundation.¹

But the quantity of gold money in existence is one thing, the quantity in circulation is another: and it is only the quantity in circulation which immediately contributes to the rise of prices.

When paper money exists in great abundance, it necessarily happens that part of the metallic money is put in reserve. For every mass of paper money thrown into circulation, there is a certain mass of metallic money which is withdrawn from it. The reasons are rather obvious, but to satisfy those who are not impressed by them, an account of them will be given hereafter.

5. Whatever may have been the encrease in the mass of metallic money, that of paper money has been such that the two together have led to a considerable addition to the mass of money.

Prices being neither more nor less than the sums of money paid, to assert that there has been a rise in the totality of prices during a certain time is to assert in other words that there has been an augmentation of money. Now as it is not this or that species of money, but all the species together which form the prices, all that is not due in this rise to metallic money, must be attributed to paper money.

6. In the last forty years of the last century, the encrease of prices was such that at the end of this period they were double what they had been at the beginning.

7. Assuming an addition equal to the one before, prices would

bars and sold anew to the Mint or to the Bank at the same price as before: and so on in a circle without end.

Thus it is clear that the government cannot furnish silver specie without loss until it has been reduced in weight or in quality to the point where it is worth no more than the mint price: and as the mint price is subject to fluctuation, this leads, in the last resort, to the establishment of a bank of deposit for metal⁴ and in consequence to a system of paper money.

⁴["*l'argent.*"]

¹[George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures of Great Britain from 1792 to 1799*, 1799, p. 69 seq.]

in the coming forty years be double what they are at present, and consequently four times what they were at the beginning of the present reign.

This presupposes that the encrease of money is the cause of the encrease of prices, and that the effect is proportional to the cause.

It is impossible to take into account the reduction which could take place in the totality of prices from a considerable encrease of saleable goods, or the extraordinary rise which could take place in prices from an issue of paper money or an encrease in metallic money beyond that of the last forty years.

8. Given this doubling of prices, the value of any pecuniary revenue is reduced to half: so that with £100 per year it would be impossible to obtain more of the means of subsistence and enjoyment than were obtainable for £50 at the beginning of the present reign.

This proposition, being of the number of those which are self-evident, does not stand in need of proof.

9. The effect of this depretiation on the value of that class of incomes that may be called *fixed revenues* has been that of a virtual though indirect tax on these revenues: a tax encreasing progressively with the prices, and rising at the end of this period to half of the net revenue.

There is a difference between this depretiation and a tax of the same value. Taxes, particularly those on income, are always accompanied by various collateral and unproductive vexations. This indirect tax has at least the negative virtue of not producing such vexations.

10. This indirect tax on the possessors of fixed revenue does not produce any benefit to government, either from the point of view of finance, or from any other.

11. The benefit reaped by the classes of individuals who share it, is not equivalent to the disadvantage arising from this depretiation for those who carry its burden.

To those who draw the benefit, the result presents itself in the form of *gain* or *profit*, as an addition to what they had already: to those who suffer the damage it presents itself in the form of *loss*, as a defalcation from what they possessed [before]. The amount of the gain is precisely the same as that of the loss. But according to a maxim recognized by all governments and in all systems of law, the evil which results from robbing one person of a given sum

is, sum for sum, fortunes being equal, greater than the good of transferring it to someone else can possibly be. *Potior est conditio ejus qui de damno vitando contendet quam ejus qui de lucro captando*. This is a principle of the Roman Law that has been adopted in English Law, especially in the Court of Equity. If it were otherwise, all could be taken away in order to redistribute all, and all property would be destroyed.

12. During the same period of forty years, a very considerable addition to the mass of real wealth has taken place; meaning by real wealth any kind of wealth other than money.

Up to the time of Adam Smith, wealth was, according to popular opinion, stationary or rather retrograde. Smith fought this common error by theoretical considerations deduced from the nature of man. In 1782, Mr Chalmer, in a work composed expressly for this purpose, established the truth of that theory by an historical presentation of facts.¹ In 1793, Mr Rose, in an account of finance, continued that presentation by means of official documents, and in 1799 he showed by a new review of facts that it had not been even in the power of the war to arrest the progress of wealth.² The reports of the two Houses of Parliament on the suspension of the Bank in 1797, and the documents published by the Committee of Finance, cannot leave any doubt as to that continual encrease.

Those who fix their eyes with more satisfaction on the dark than on the bright side of the political and moral scene, must have been hurt by the splendour of that new light. Their sole resource against so many overwhelming proofs of prosperity has been to dwell exclusively on the augmentation of the public burden, without paying attention to the still more rapid augmentation of wealth which gives the strength to support that burden.

As late even as 1768 the popular error was so wide spread that the writings of the time were generally infected by it and it was even propagated by a pamphlet composed under the direction of the Prime Minister (George Grenville). A reply from Burke to that pamphlet contained a complete refutation, but he did not extend his argument beyond the circumstances of that period.³

¹[Cf. James Chalmer, *Remarks upon the Scots Bankrupt Bill*, 1782.]

²[Cf. George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures of Great Britain*, 4th ed., 1793; and *A Brief Examination . . . from 1792 to 1799*, 1799.]

³[Cf. Edmund Burke, *Observations on a late State of the Nation* (i.e. William Knox's *The Present State of the Nation*), 1769.]

Since then other writers investigating these various factors have not ceased to predict the ruin or to exalt the prosperity of Great Britain.

A circumstance from which the atrabilious politicians have not drawn the possible conclusions is the depreciation of money, as a result of which the encrease of wealth is to a large extent nominal. If the depreciation has been by half within this reign, it follows that the export of our products, which seems now more than doubled, is in money equivalent only to what it was in 1760.

But if, according to this calculation, our encreasing resources are only half of what they appear to be, our expences, estimated according to the same scale, are found to be reduced in the same proportion: and as this reduction is the favourable side of the matter, it follows that the depreciation, acting as it is *pro* and *contra*, would give no advantage to those atrabilious politicians.

Another consideration presents itself. Whatever may have been the amount of the encrease of prices and its effect on the value of fixed revenues, the articles which constitute our main exports are among those which have least experienced this rise of prices. To suppose that they have received an augmentation of 25 per Cent, is perhaps to go too far in view of the reduction produced in the price of labour by machinery, and the effect of great capital applied to manufacture.

Under this supposition (which is here given only to serve as an example), the amount by which it would be necessary to reduce the value of our exports by reason of the rise of prices is not a proportion of 50 per Cent, but only one of $12\frac{1}{2}$ per Cent.

On the other hand, in the estimate of the real profit made by the manufacturers and the traders on their capital employed in production and in the export trade, the profit which provides their means of expenditure will be subject to the depreciation to its whole extent.

Those who buy for their own consumption the goods which are exported, suffer a reduction of 50 per Cent on the whole of their revenues, although the depreciation does not amount to more than $12\frac{1}{2}$ for these particular articles, because these particular articles constitute only a small part of their expenditure, while the main commodities such as victuals have undergone an encrease a little in excess of 50 per Cent.

13. The permanent rise of prices has had for its sole effective

cause the encrease in the quantity of money, beyond what has been counterbalanced by the encrease of real wealth.

Of what matter are prices composed? It is money and nothing else, except in the comparatively rare case of an exchange in kind, or barter. A price is nothing more than the sum of money paid in return for a saleable article delivered in exchange for it: the sum of all prices given for all the saleable articles sold within a year cannot be anything but the total amount of money given for them. Quantities and qualities being the same, if in the second of two years the total of the sums of money is double that in the first, prices must have been doubled: and, conversely, if the prices have been doubled, the total of the sums of money must have been double. A double mass of money in circulation, as it is an indispensable cause, must have been a circumstance inseparable from the doubling of prices.

The rapidity of circulation must enter into the account. Every time a sum of money changes hands in the course of trade, it constitutes a price; 72 millions which change hands three times during the year will have the same influence on the sum total of prices as 216 millions passed on only once.

Is there a means by which the *momentum* or the force of a mass of money can be augmented while the quantity of money remains the same? Yes. The banking trade, as it is carried on by the bankers of London who take money on deposit and who lend it out without issuing any paper money of their own creation, this trade, I say, is a circumstance which encreases the *velocity* of money and consequently its *momentum*, apart from any addition made to the quantity.

Once this trade is established, as it is in London, any new addition made to the existing mass of money will be placed in the hands of these bankers in a proportion at least equal to that which they had of the previous mass, so that the velocity is not decreased by an encrease in the quantity: and if this is so, money can without error be represented as being, by its quantity, the measure as well as the cause of the rise of prices.

14. Every encrease in the mass of money, beyond the encrease taking place in the mass of saleable goods, may be considered as representing an *excess*: because it is productive of a rise in prices, and consequently of an indirect tax on the fixed revenues in proportion to that rise, and of a growing danger of bankruptcy.

A rise in prices is an indication and a proof that the addition

made to the quantity of money has not been counterbalanced by a proportionable addition to the mass of real wealth. What is called *excess* is in general the existence of a quantity which is not desirable.

The rise of prices and the indirect tax resulting from it, though a certain and manifest evil, is yet not so constituted as to exclude all idea of compensation. The encrease of real wealth which accompanies the encrease of money is a circumstance which tends to furnish a compensation for the rise of prices. It remains to be considered whether the good is equivalent to the evil.

The danger of bankruptcy will likewise be the object of a special examination.

[Chapter 20.] *Propositions concerning the Effects of Paper Money.*

First Proposition.

The encrease of pecuniary credit has produced an encrease of wealth, and, in consequence, of population.

At first sight, this proposition appears too self-evident to stand in need of proof. When it is examined more closely, objections present themselves which are so strong that they seem not to admit of any reply: but in delving deeper into the subject, these objections vanish and the first impression receives confirmation from the ultimate judgment.

Until these different points of view have been elucidated, there will be no end to some most illusory theories on this subject.

The encrease of pecuniary credit is an encrease of money or at least of what represents money, that paper money which is received as such in exchange for goods and which has the same effects. Hence it is an encrease of wealth. This is the first point of view.

The objection which presents itself to this reflection is as follows. Even metallic money, which has intrinsic value and which in consequence enters into the composition of real wealth, has nevertheless only a purely accidental connection with the other kinds of wealth. Does the abundance of things which serve the uses of man depend on the greater or less amount of gold or silver that exists in the world? Does the fertility of the soil depend on the greater or less quantity of these two metals, which do not help to cultivate it? Would less grain have been harvested in England, would less cloth have been manufactured, if a mine in America, instead of

yielding two pounds of gold a day, had yielded but one? Consult history. You will not find that labour, the source of all wealth, stands in a direct proportion to the quantity of gold: on the contrary, the proportion is inverse. Today two shillings are hardly sufficient to buy a day's labour: in the past the twelfth part of that sum would have sufficed. Hence the multiplication of money does not contribute anything to the augmentation of wealth.

Consider its formation: you will see still better how independent it is of the encrease of gold: you will see that it is solely the result of industry and frugality.

1. In some cases labour is employed without giving rise to any species of wealth: such is the work of supernumerary servants, of dancers, musicians, actors &c.

2. In other cases labour is applied for the production of articles of quick consumption, without any ulterior effect: such are for instance luxury foods and drinks consumed in excess of what is necessary for subsistence.

3. In other cases the labour is employed on articles which, although they are equally unproductive, have the advantage of durability: such are clothes, furniture, buildings and other objects which possess that quality in infinitely varied degrees.

4. In other cases again it is employed on articles which, whatever their durability, have the advantage of serving more or less for the production of various useful things: in agriculture, machines, manure, livestock, dairies &c; in manufacture, tools, stores, raw materials, &c, &c.

In this way, by combining the circumstances of durability and production, one could establish a complex scale of the progress of wealth, beginning at zero and rising to infinity.

The benefit of a portion of labour does not depend only on the nature of the thing produced, but in great measure on the use to which the thing is applied. The Pyramids of Egypt, which belong to the class of unproductive things, could have been constructed in such a way as to serve as depositories, stores, dwellings, factories &c.

Labour applied to the production of victuals may contribute more or less to national wealth according to the kind of consumers. Labour which serves to feed the musician and the rich connoisseur adds to population and to enjoyment; labour which serves to feed the labourer, the fisherman, the artizan, the manufacturer, likewise adds to population and enjoyment, and in addition to national wealth.

Thus the quantity of wealth of a country will depend at the end of a given period on the following circumstances.

1. The capacity for labour employed during this period.
2. The more or less advantageous use that has been made of it, i.e. the more or less considerable results that have been derived from that labour.
3. The degree of durability of the articles produced.
4. The more or less great proportion between productive and unproductive labour.

According to this analysis of the formation of wealth, labour and the efficacy of labour are its only efficient causes: the encrease of money does not enter into the matter.

I have announced in advance that a more attentive examination would obviate this objection and place money again among the causes of wealth. The difficulty is removed by a distinction.

It is not the quantity of money introduced into a community, it is not that quantity considered *in its absolute amount*, which can encrease wealth. All depends on the manner in which it is introduced, and on the hands into which it passes. The real wealth of the community encreases only, it is true, by the means enumerated above: but if it is in the nature of money, provided it is introduced in a certain way, to give a more favourable direction to these means than they would have had without it, then the money introduced in that way becomes a source of encreasing wealth.

In a country which has no gold and silver mines, the precious metals encrease only by importation, which results from industry and trade. The men who import them belong to the productive class, and the first use which they make of them consists in encreasing their production, each in the sphere of his trade. Those who issue paper money, the paper which represents money, belong to the same class. This paper money is never employed in the first instance but for purposes of production. It is always borrowed by people who wish to apply it in the shape of productive capital in ventures in agriculture, manufacture or trade in which there is a profit—a profit which is so much added to the mass of national wealth.

Without this new introduction of money, the means of giving rise to that new wealth would have been wanting. The unproductive classes who live on fixed revenues, spend them without saving: these unproductive classes could have made that addition to wealth, but in general they do not make it: the productive classes who make

this addition by means of the new capital, would have been well disposed to make it without it, but they would not have been able to do so.

In matters of this kind, exceptions, although they may be rather numerous, do not destroy the general rule. There are money hoarders, thrifty people, outside trade: there are prodigals and bankrupts among traders: but in spite of that, it is undeniable that we must not seek those who add to national wealth among people who live on rents, but in the ranks of the industrious classes.

The same quantity of money introduced in any other manner, that is to say, in any way except that of trade, would not have nearly the same effects for the augmentation of wealth. If it were for instance the produce of mines, and paid in the form of rent to the proprietors of these mines, it would be applied in the first instance in the encrease of luxury expenditure, on objects of consumption, horses, servants, buildings, pleasure gardens, pictures &c, it would not be [invested] in manufactures and agriculture.

True it is that the producers would draw from all that expenditure on consumption a net profit, the mercantile profit, which would be converted in their hands into productive capital, and which is so much added to national wealth.

Of £100 disbursed in this manner by the rich consumer, 85 are used for the purchase of the various articles consumed, a purchase of which the only effect is to lead to the production of an equal quantity of the same articles to fill the void occasioned by the consumption.

£10 will be used for the support and for the sustenance of the workmen employed in this re-production, in the same way as the 85 have been spent by the rich consumer.

£5 will remain as net profit to be added to productive capital: in the same way as the £100 would have been if, instead of passing first into the hands of the rich consumer, they had found themselves in the first instance in the hands of persons of the productive class.

Suppose now that the mine had not been worked, the capital devoted to that task would have been devoted to the cultivation of the soil, the amelioration of pastures, the multiplication of cattle: there would not have been a new sum of money, but there would have been, drawn from the existing capital, a greater fund of real wealth.

Thus it appears that the new quantity of money adds to wealth

or does not add to it according to the use that is made of it in the first instance, according to the first hands through which it passes: that it adds to wealth if it is introduced by commercial hands and employed in production, and that it adds but little if it is introduced by the unproductive classes and spent on objects of quick consumption.

I observe in particular, with regard to paper money, that it is never introduced but by the commercial class and for commercial purposes, and that in its first use it is always applied in such a way as to make an addition to real wealth.

The only case where it is not employed in a manner that tends to encrease wealth is, if it is issued in the first instance by the sovereign for purposes belonging to the unproductive expenditure of war, or for luxury goods, or for the creation of pensions and places. It is true [however] that if it is employed in national defence, it is [devoted to] an object of superior importance to the encrease of wealth: for what would be the use of wealth, if there were no means to defend it?

It would be the object of a rather intriguing speculation to examine what the progress of wealth would have been if several modern causes which have contributed to its encrease had not existed: such as the augmentation of the precious metals¹ by the discovery of the mines of the New World, the establishment of banks, and the credit of the paper money issued by particular banks—not to speak of negotiable paper, which seems to be a necessary result of a foreign trade as soon as it acquires some extent by the security of property and good government.

As for prices, they would have gone on diminishing, money becoming more and more rare in proportion to the encrease in population and in saleable goods; rents in grain would have been introduced, not as they are sometimes at present, for the protection of the proprietors, but for the protection of the farmer.

Fixed rents, as also salaries, pensions, annuities, pecuniary dues, and mortgages, would have been in a continual state of encrease. In the course of a long life, life annuities could have become an intolerable burden for the fund on which they would have been charged.

As far as real wealth is concerned, its progress would not have been so rapid without the accession made, by these various means,

¹[The MS reads "*l'augmentation des métaux métalliques*".]

to productive capital. But it cannot be doubted that it would have been on the encrease among the trading nations, and particularly in England, in proportion to the degree of political security. Without speaking of ancient Greece and ancient Italy, on which we do not possess documents detailed enough to furnish the basis for a satisfactory investigation, and where political security was never great enough and permanent enough to give the natural effects of industry full development, the example of China is a sufficient proof that a nation may arrive at a degree of opulence equal to ours under a government which is less favourable to security, without any of the means of encrease in the quantity or effective force of money.

On the other hand, if you suppose that Europe would not have had other causes of war equivalent to those of which America has been the source, and if you deduct from the profits of the commerce with the New World all that it has cost because of these wars and the establishment of colonies, I do not know whether real wealth would not have been as abundant as it is at present, on the supposition that these three great means of encrease in the power of money had not existed.

An isolated event, such as the discovery of the New World, is an event over which the imagination may more easily pass the sponge in the historical picture than over the two others, because the establishment of banks without issue and the establishment of banks with issue of paper money, although it may not be a necessary result of wealth, as the example of ancient Rome will prove, is yet a natural consequence of a certain degree of opulence, combined with a certain degree of political security and internal tranquillity.

Recalling these two causes to keep their place in the picture, it seems very doubtful whether the non-existence of the American trade would have meant a sensible diminution in the quantity of real wealth. Its actual composition would have been a little different, but I do not see any decisive reason why it should have been less. We should have had less gold and less silver, fewer precious stones, less coffee, sugar, cochineal and less of some other articles of enjoyment and subsistence, but in compensation we might have had a greater quantity of other victuals.

On the encrease of wealth resulting from colonization I know no work which has spread so much light as a small publication of Dr Anderson, published towards the end of the American war, entitled *The Interest of Great Britain with regard to her American*

*Colonies considered.*¹ The work of Adam Smith, which still is and deserves to be the textbook of political economy, contains almost nothing on the subject of colonies and on the greater part of the questions which are treated in the forementioned work.

History furnishes no example of any sensible calamity that has resulted for a nation from the fall of prices. There are, however, several circumstances in which such a fall was bound to take place by the natural course of things. Thirty or forty years of internal tranquillity must have produced a natural encrease of real wealth and population beyond any encrease in the quantity of money from the feeble output of the mines which were known before those of the New World. Prices must have experienced a proportional fall.

Permanent engagements, long leases, life annuities, fixed salaries and pensions are results of modern security and modern civilization. All this could not have developed in the perpetual storms of Greece and the other states of which we know the history. Leases for the farming out of land do not seem to have been known in antiquity.

The little money which then existed was given in exchange for luxury goods. Domestic products served for domestic consumption.

In such a state of society, when war is habitual, and every war a struggle to the death, the encrease or decrease of prices, even had it been as rapid as it is naturally gradual, would not have produced a sensation distinct enough to be recorded in history.

Second Proposition.

If the encrease of pecuniary credit were left without control, there would arrive a time when it would cease to produce an encrease of wealth.

Wealth, we have said, is the produce of labour: when the fund of capacity for labour which exists in a community has been fully brought into action, a new quantity of money cannot produce more. The limit of the encrease of wealth for a community is the point where the capacity for labour is used to its *maximum*.*

¹[1782.]

*The capacity for labour may be encreased without an encrease of population 1. by converting the non-workers into workers; 2. by adding to the *time* of work and to the efforts of the workers; 3. by advancing the age when work is begun or postponing that when it ceases; 4. by employing *fragments* of the capacity to work.

The capacity for labour may be augmented by an encrease of population. 1. Wealth

It is true that if all that capacity is employed, new capital may yet encrease wealth if it serves to give greater effect to labour, if it renders its employment more efficacious, if it imparts to it a more advantageous direction.

When the fund of capacity for labour is fully employed, and when it is employed to the highest degree of advantage, the effect of new money with regard to the production of new wealth is necessarily at an end.

A new importation of metallic money or a [new] issue of paper money represents¹ always as much additional real capital as [the same sum in] money that existed before: but it would only serve to supplant an equal portion of old capital: i.e. to prevent in the same proportion savings which would have been made on the existing fund of capital and which would have been employed as productive capital.

This new importation of money or this new emission of paper would have no other effect than to raise the price of labour and of goods, and to diminish the rate of interest.

It is very difficult to determine the point of time when this takes place. The most obvious symptom that this pecuniary maximum has been reached is likely to be the emigration of capital in view of the extraordinary fall of interest.

Third Proposition.

The encrease of pecuniary credit has at the same time produced two evils—a rise of prices and a growing danger of general bankruptcy.

1. Rise of Prices.

The new money, employed in the first instance in the form of pecuniary capital, is productive of a new mass of saleable goods.

If each addition made to the mass of money produced an equivalent addition to the mass of saleable goods, and if that addition were as quick and as permanent as the other—if each £100 added to the mass of pecuniary capital produced within the same year

leads to marriages. 2. Immigration naturalizes foreigners on our soil: but this resource is never considerable with regard to numbers except in a growing colony.

¹["*produiroit.*"]

a value of £100 in real wealth—and if the addition thus made to real wealth persisted through as many years as the addition made to pecuniary capital—in this case there would be no rise of prices. The proportion between money and saleable things would remain the same as before.

The rise of prices is a proof, and an incontestable one, of a surplus of money which has not been balanced by an addition to the mass of real wealth.

2. Danger of Bankruptcy.

A danger of this kind is up to a certain point inseparable from that fundamental branch of pecuniary credit which consists in promises of payment on *demand* of the bearer. Taken all together, the impossibility of fulfilling them is a certainty, and this event may always occur because such a demand, a sudden and simultaneous demand, from several directions at once, is of the essence of this trade.

In order to give full security, it would be necessary for the banks to be banks of *deposit*, and not banks of *credit*: but in that case the trade of the banker would be all loss without gain: in view of the fact that his profit is always in proportion to that portion with which he parts, and with regard to which he has no longer the certainty of being able to fulfil his obligations.

The solvability of a banker depends on what is not demanded from him—it depends on the confidence in his paper—but this confidence is a disposition of the mind which is subject to disturbance through a variety of accidents, and examples of such disturbance are not rare. The confidence may be disturbed either by general causes which affect all the banks at the same time, or by particular causes which affect only this bank or that.

Hence the danger of general bankruptcy becomes so much the more threatening, the more the total mass of these engagements exceeds the total mass of metallic money which is to serve for their fulfilment. The greater the number of individuals who are interested in this credit, the greater is the number of those who may listen to and spread an alarming rumour fatal to that credit.

Theory, founded as it is on the nature of things, here presents to our eyes an ever threatening danger: but where experience has had the time to assert itself, it can help to correct the theory.

According to pure theory one should be led to regard the banking trade as the most hazardous of all trades. Experience makes us perceive that it is perhaps the least hazardous of all. For there is no branch of trade where there are fewer bankruptcies than among the bankers of London. The reason is that it is subject to that kind of risk which is peculiar to it, but that if it is conducted with common prudence and in conformity with known rules, it is comparatively safe from all other kinds of risk.

The evidence thus given by experience in favour of the banking trade, as it is practised in London, does not extend to the provincial banks which are based on different principles. The London bankers, without taking it upon themselves to issue paper money and to burden themselves with a mass of engagements with those who borrow from them, are content to utilize the money which they have received from the people who have deposited it with them.

Hence if according to experience the London banker appears at the top of the scale on the score of security, the provincial banking trade seems to be placed on the lowest step of that scale. The causes of this great difference will be explained in the sequel.

Fourth Proposition.

After the encrease of wealth has ceased, the encrease of prices would still continue.

This is an obvious and necessary consequence of what has been said before. As the new money does not produce new values, it operates to the extent of its sum in adding to prices.

Fifth Proposition.

The growing danger of bankruptcy would continue if it was not already realized.

It will be understood that if the encrease had taken place only in metallic money, or if metallic money had encreased at the same time as pecuniary credit in such a way as to keep their proportion the same, the proposition would not be true. But things do not proceed like this.

The productions of the mines seem to decrease, while the demand

for the precious metal naturally encrease through the encrease of other kinds of wealth. The relative part obtained by Great Britain is perhaps on the encrease, but the absolute quantity in a given country must necessarily be limited by the absolute quantity of the total mass. Hence a steady encrease of metallic wealth would be needed to diminish the danger which arises from an encrease of pecuniary credit: but the more there is of the precious metals, the more the pecuniary credit based on them gains in extent. Let specie be minted with the highest possible speed, paper money is produced still more quickly, and paper money is but one of the branches of pecuniary credit.

Sixth Proposition.

As the encrease of prices and the danger of bankruptcy are effects of the same cause, the former may serve as an indication and as a measure of the latter.

This also presupposes that the encrease of money is of paper money or other modifications of pecuniary credit rather than of metallic specie. But this supposition is in conformity with fact.

If it could be known at which stage of the encrease of prices the bankruptcy would occur, the indication that would result would be of great importance. Unfortunately this is not the case. The more prices encrease, the nearer approaches the fatal period: but this is all that can be known. The direction of the movement is known, but not the distance.

Seventh Proposition.

Pecuniary credit may be said to be *excessive* if the two evils mentioned above exist without the *good*, or in greater proportion.

The truth of this proposition is evident: the difficulty consists in determining the point of time at which the evil begins to preponderate.

I have come to the conclusion that this difficulty is insurmountable. The question is on all sides enveloped in cloud. By what criterion is it possible to judge that pecuniary credit no longer adds to real wealth; that there exists no more capacity for labour than that for which the existing capital would be sufficient; that the evil of encreasing prices is not more than compensated by the addition

to real wealth; that pecuniary credit has reached its limit, and that bankruptcy is a foreseeable event?

A thousand politicians have ventured predictions, and a thousand politicians have been wrong. Everybody wishes to decide the question in order to declaim about the actual state of affairs and to say with emphasis that we have reached the highest possible degree of prosperity and that that prosperity is no more than a dream which is going to vanish.

To me it seems that something is gained if the difficulty of pronouncing on this point is shown. It amounts to a refutation of all the positive assertions of the two parties, to giving both of them a lesson in moderation and toleration. In the eyes of impassioned ignorance there exists no difficult question. A difference of opinion is always imputed to corruption of the heart or an almost equally unpardonable stupidity. The more one reflects on this subject the more one feels that the existing diversity [of opinions] is due to the real difficulty, perhaps the impossibility, of saying clearly where the relative good of pecuniary credit ends, and where the absolute evil begins.

Although I discuss the two evils together, I do not compare them: it is quite evident that the evil of the rise of prices is as nothing compared with the risk of general bankruptcy.

For the rest, if it is impossible to determine where the *excess* begins, the failure to solve this problem is not a great evil, provided that the suggested remedy is, as I think it is, such as to prevent pecuniary credit from ever reaching that *point*.

Eighth Proposition.

Although each modification of pecuniary credit may have contributed to the total mass, yet if there is one modification of this credit to the amount of which there is no limit, while there is a limit for all the others, the excess of the whole mass may without impropriety be attributed exclusively to that one alone.

This proposition does not seem susceptible of doubt; it is clear that if there is only one modification of credit which can be *excessive*, the excess can only be attributed to that one: but which one is that modification of credit? It is the one discussed in the following proposition.

Ninth Proposition.

In the case of an encrease of cash paper, the evils are never compensated by any advantage.

If the foregoing propositions are accepted, the proof of this one is soon given.

Even in the case of metallic money I have shown that the evils accompanying its encrease are not compensated by the advantages.

In the case of cash paper it is still worse. To the evil of that indirect tax on revenue which results from a rise in prices—an evil which has its limits—must be added the danger of that unlimited evil which is implied in the word general bankruptcy.

It is true that the augmentation of paper money produces an addition to real wealth, and an addition which would not have taken place without it: for however great the importation of metallic money may be, there remains always a capacity of creating paper money: in view of the fact that by the creation of that paper money, the productive classes may always, at the expence of the revenue of the unproductive classes, add to their particular pecuniary capital, and consequently to the mass of national capital employed for the purchase of the various articles of real wealth.

But this addition to real wealth, made as it is at the expence of fixed rents and with a continual danger of bankruptcy, is an advantage too dearly bought.

Tenth Proposition.

The paper of the provincial banks is liable to exist in excess.

We are going to examine 1. the motives which may induce a banker to issue his paper money; 2. the occasions on which he can cause it to be accepted; 3. the considerations of prudence which limit this issue.

The gain of the banker on his paper money is the amount of interest at the common rate (5 per Cent) on the whole quantity in circulation, minus the sums which he must keep in reserve to constitute his security fund.

As the profit of the banker is proportional to the quantity of paper which he issues and which he circulates, it is in his interest

to issue and to circulate the greatest possible quantity. The only check which may restrain the issue is the fear of exposing himself to an effectual demand for money which he would be unable to satisfy. All the motives which may incline a man to employ metallic money, either on luxuries, or on advances to lucrative enterprises, will also determine him to issue paper money if it will be received. The only difference is that the metallic money, once it is handed over, does not give to him who has received it the right to demand anything further: while the paper money of a bank gives to the bearer the right to demand of the banker a corresponding portion of metallic money.

Hence the question is to know what circumstances, ordinary or extraordinary, actual or probable, may occasion a demand for money in lieu of, and in the place of, this paper.

The following may be regarded as the extraordinary occasions:

1. A general distrust of paper money.
2. A particular distrust of the paper of a given bank.
3. An extraordinary demand on the bank in question from a rival or hostile bank.

I do not know any other cause belonging to this head, unless it be a demand caused by a need for small change to serve for day to day transactions, where large bank notes are not suitable. This case existed at the time when it was forbidden to the provincial banks to create bank notes below £5: it would exist again if that prohibition, which is only suspended, were re-established.

1. As for general distrust, it existed in 1793 and at the beginning of 1797. It does not exist at the present moment.

2. Distrust of a given bank in particular is an event for which it would seem difficult to assign a sufficient cause independently of the two others: at least while the affairs of the bank are conducted with ordinary prudence. A considerable loss would inspire apprehensions, but why should a bank expose itself to such accidents? This trade is in itself one of the least hazardous. Moreover there is no provincial bank, in the present state of affairs, which is not associated with some London bank. Of the 399 which exist according to the last account there is not one without this support.

3. There remains an extraordinary demand by a rival bank.

This danger, if it still exists, is very unusual.

An attack of this kind is accompanied by a twofold danger for the aggressor. If it does not succeed, it will call forth retaliation:

if it has success, it may have too much. To impound for this purpose a small quantity of the paper which is to be discredited, would be useless: to impound a great quantity is to run the risk of seeing the rival bank bankrupt before it can be realized, and to be left with a paper which has lost all its value.

Hostilities of this kind were frequent for a time: and the experience of the danger which accompanies them has contributed more than anything else to a usage which seems to have become universal: to fortify oneself against such attacks by an alliance with some banking house of the Metropolis.

4. The demand of coin for paper for the sole object of *change* depends on the relation which exists between the metallic means of circulation and paper money. The small pieces of metal might serve for all payments which are effected with great [pieces], were it not for the inconvenience of carrying, counting, and examining them. But the great pieces cannot serve for the payment of small sums.

The pieces of paper money were originally and for a long time much superior [in denomination] to the greatest pieces of metallic money. As long as there was a quantity of the latter which sufficed for all day to day transactions, the need of small paper was not felt.

As the number of guineas and of the smaller pieces of metal increased only slowly, while the notes of £5 and more increased rapidly, it is clear that there was bound soon to come a time when the former would be comparatively rare and the latter comparatively abundant: and this necessarily produced a kind of dearth of metallic money and a demand on the banker to convert his paper into cash. This demand would have become continuous and pressing, if the precaution had not been taken of creating bank notes of £1 and 2, and in Scotland of 5s.

Since 1797, when this permission was given, sufficient time has elapsed to show that the demand for money which then existed was not based on a distrust of paper, but solely on the need of small money for daily transactions.

Thus at normal times, and with the present disposition of the public, the demand for metallic money is reduced almost to nil. The £1 notes and the guinea notes, although they perform everything that the guinea itself could do, cannot take the place of half-guineas, half-crowns, shillings and sixpences.

The idea of value is not so intimately connected with a piece of

paper as with a glittering piece of metal. A guinea note for example would not be so well fitted to form the object of a gift as the guinea itself. It seems that the paper carries with it the air of a commercial transaction and of a payment which is less in accord with the spirit of a gift. A pound note and a shilling would impart to a present a character of calculation that would ill agree with the idea of liberality. It would be interpreted as a calculated action which seemed to exclude participation of the heart. It would be a miserly offering which would not harmonize with the kind of generosity demanded by affection. But if metallic money remains necessary for this object, generosity will not go far.

The conclusion seems to be that, given a security fund sufficient to answer these not very considerable demands for cash, the nature of the case does not set a limit to the issue of paper, as long as the banker can find in it an expectation of profit.

The necessity of reserving a security fund proportional to the quantity of paper which he issues may at first seem to be a check which operates for the restriction of that quantity. But we have just seen that the demand for cash to which he is exposed is not very considerable.

This security fund, limited as it is, is not wholly composed of metallic money. Its purpose is equally fulfilled if it is composed of effects of which it is certain that they may, within a given time, be converted into cash or into paper which passes for cash—notes of the [associated] London bank, Exchequer Bills, in view of the facility of discounting them, and even paper of neighbouring banks provided they enjoy entire credit.

Thus, in the present state of public confidence, paper money has a continual tendency to multiply, the security funds to become less considerable, and, from day to day, to be composed of a decreasing quantity of cash and of an encreasing quantity of other types of paper.

Having seen that it is the interest of the banker to issue paper each time he can do so with some hope of gain, let us see which are the various *occasions* when that profit may present itself.

These occasions are neither more nor less than the occasions when metallic money could be employed with advantage, if instead of paper of his own creation he had in his coffers an equal quantity of specie bearing the imprint of the sovereign. An enumeration of the various uses that can be made of it may save some difficulties

and give more force to the description, though it does not reveal anything.

1. He may draw from this fund all his personal expenditure as well as all the costs of his trade. If he has no partner, there is neither difficulty in, nor limit to, this branch of expenditure, and to the profits which result from it.*

This is a cause of excess to which the transactions of the Bank of England are not exposed.

2. This fund may also furnish means for the purchase of estates, houses, shares of various companies, annuities and other sources of revenue, to the convenience of a banking house.

This is a further cause of excess which does not exist for the Bank of England.

3. If a banker combines with this trade the enterprise of a manufacture, his paper furnishes him a commodious fund for the purchase of raw materials and the payment of the principal wages.

Another cause of excess which is equally foreign to the Bank of England.

4. The same fund may be applied to purchases of goods which can be disposed of later with advantage: purchases which may comprise all sorts of things, in the sense of what is called, in mercantile language, *speculation*: but which receives the name of *monopoly* or *regrating* from those who regard this branch of trade as fertile in abuses.

This is a fourth cause of excess to which the Bank of England is not exposed.

5. This paper is employed for the satisfaction of *drafts* drawn on the bank by *depositors*:† these must receive the paper without difficulty because they have, by the very act of depositing, given proof of their confidence in the solidity of the bank.

Herein consists the main means of the Bank of England of giving circulation to its paper: but this issue is not susceptible of excess. The amount of the deposits which it has received is the maximum of the paper issued for that purpose, and from that maximum must be deducted the money necessary to form the security fund in

*In a printed list of 386 bankers I find 54 who are alone and without partners, including 5 who have their sons with them. These 54 can act as they see fit. They have their elbows free.

†I.e. those who deposit sums of money with a banker [in order to be able] to withdraw them in small portions according to their needs.

ordinary times, i.e. apart from the case of actual suspension [of payments].

It could be objected that a banker could not venture upon a considerable issue of his paper for the acquisition of an estate or of a house, or for great speculations, because he would expose himself to sudden distrust, and that common prudence, on the part of the seller, would suffice to make him refuse a mass of paper money whose very amount would render it suspect.

I answer first of all that this objection is not applicable to small purchases: whatever the point to which they may rise by frequent repetition.

I answer in the second place that the suspicion may be easily prevented by an intermixture of paper of other banks, and above all by including a more or less considerable portion of notes of the Bank of England. If the banker employed in these purchases no more than a quarter of his own paper, this would be sufficient to render the speculation very gainful.

But there is a surer way of preventing suspicions by secret operations, by employing an agent who would appear as a stranger to the interested party. The banker acting openly for himself would not dare to offer his paper otherwise than with discretion: but an agent who secretly intervenes for him is not forced to the same reserve: and supposing there is an association of bankers who serve one another reciprocally by means of agents who understand each other, what limit is there to the quantity of paper which they can issue without exciting distrust?

Associations of this kind have been seen to operate with the greatest facility by means of bills of exchange, according to the method used in the business of *drawing and redrawing*. An example of it can be seen in Adam Smith,¹ and paper money is much more appropriate for this operation than bills of exchange.

As for the use which a banker may make of his paper in a manufacturing enterprise or a mercantile speculation, it must be considered in the light of a loan which he has raised from those who receive the paper, i.e. from any number of persons who become his creditors. This paper, applied as it is in the shape of productive capital, tends to encrease general wealth.

The only uses which do not tend to encrease national wealth and which have no other result than the rise of prices and the

¹[*Wealth of Nations*, bk. II, ch. II.]

increasing danger of bankruptcy, are the issues which have no other object than personal expenditure and the purchase of landed property and of other sources of revenue.

6. The last occasion for an issue of bank paper of which it remains for us to speak, is the one furnished under the category of a *loan* to various *borrowers*. In all the other cases the paper is given in exchange for a value already received; there is no risk on the part of the banker: in this he makes advances against a value yet to come; he runs a risk; the profit of the lender depends on the solvability of the borrower. In this case the nature of the trade furnishes a security against excess, and, at first sight, this security may appear effective. If the borrowers prove themselves solvent, it is because their enterprise has succeeded, that is to say, that the trade has received by means of this capital a proportional encrease: as there has been a new emission of paper, there has also been a new production of goods: there results from it neither a rise of prices, nor a new danger of general bankruptcy.

Now the case of solvability on the part of the borrower is the most probable case. The people who prosper constitute not only the majority, but a very great majority of the trading class. All the failures through the various causes of calamity, recklessness, fraud, prodigality, and negligence are no more than almost imperceptible losses in the mass of commercial profits. This at least is true in the natural course of things and with regard to the numerous class of merchants who work with a sufficient amount of capital; but in a forced state such as we have just described, with fictitious means and illusory resources, it is possible that this facility of borrowing introduces into commerce a much greater number of incompetent persons and considerably multiplies the failures.

Before the discovery of this new mine it required nothing less than a moral certitude of withdrawing one's capital and its interest to determine a banker to lend out the money which he had received as a deposit, and which could be demanded back from him at any moment. But since this discovery he does not take the same precautions, as he has no longer to run the same risk. What he gives is only his own paper; or at least that is what constitutes the greatest proportion of his advances, according to the need and the simplicity [*sic*] of the borrower. What he will receive back will be no doubt, a great part of it, this same paper, but with a more or less considerable intermixture of other kinds of paper, either of

particular banks, or of the Bank of England, and some proportion of cash. Of £20,000 lent in specie he would have received £20,000 and an additional £1,000 for interest in the course of a year. He might sustain a certain loss from bad debts, but this loss would have its limits: if on the other hand he lends the same sum in paper, the loss of his paper is hardly an object to him as long as he receives some parcels of gold and silver in the stream of real and fictitious riches which circulate in his bank. I know well that he will not lend even his own paper to a man who possesses nothing, but I say that he will be much less cautious in lending, because he does not run the same risks.

On the other hand, as the gain of trade is in proportion to the size of the capital, it is easy to see that many merchants will allow themselves to be tempted, by the facility of obtaining an encrease of capital, beyond the limits of prudence, as by the laws of commerce relating to bankruptcies their personal liberty is protected, and the only risk which they run in borrowing that capital is the risk of losing it.

The candidates who will present themselves to borrow paper from the banks can be ranged under the following classes:*

1. *Traders without capital.* A banker will certainly not be disposed to lend even his paper to a man who has no security to offer him: but the man who possesses nothing may find a relative or a friend who, on the assurance of a credit to be obtained on the part of a third, may consent to sign an engagement for some future date. On the strength of this engagement the borrower obtains money, he buys goods, and these goods constitute a pledge of security on which he will find another banker who will be disposed to make him further advances. If he is lucky in his first speculations he is able to pay the interest; his credit will be strengthened; his business will expand; with intelligence and good fortune all will be well. But will he succeed? A number of instances of such success will encourage further adventurers: the competitors will be multiplied, the profits diminished, and catastrophes will become inevitable.

2. *Traders beyond their capital.* It is easier to use little in order to make more than to make something out of nothing.¹ The course

*I do not mean that the bankers will be disposed to lend to these various classes: those who are known to belong to them will be naturally excluded: but in the actual conditions of giving credits some will obtain them who would better have been refused.

¹[The MS reads: "*Il est plus aisé de faire quelque chose de rien que de tirer parti de peu pour faire plus.*"] This seems to be a slip of the pen, and the above text is sure to express Bentham's thought.]

of credit is the same in this case as in the foregoing, but it is easier in the proportion of the capital already held to the capital sought.

3. *Traders of reduced capital.* It does not matter whether the reduction is the effect of misfortune without blame, of recklessness, of negligence, or of an unprosperous trade, provided that in the latter case the cause is not known to the banker to whom application is made for the loan.

4. *Traders in long term investments.* The course of credit is still the same, but in order to find support for a longer time more intermediaries are necessary. Suppose for instance that it is a case of building a house for letting, or of materials for the fitting out of a manufactory, or for the equipment of a farm, the returns are uncertain in proportion to their remoteness: as, however, the money taken on credit is employed in the creation of a mass of real property, the danger of bankruptcy will be less great than in other circumstances.

5. *Prodigals not engaged in trade.* It is not an absolutely ruined prodigal who will obtain credit: but he who still possesses some property will find at the bankers the greatest facilities for consummating his ruin: the more he stands in need, the more he is reduced to taking their paper without examination. It is known that persons of this class, in order to make money, take over very often goods on which there is likely to be a loss of more than a half: how much more willing will they be to receive a paper which, before being denounced, can be passed on without difficulty and without loss.

In this case, the new money, applied as it is all to consumption and to unproductive expenditure, without any addition to permanent wealth, has no other effect than an encrease of prices. It is on the same footing as paper money which is issued and thrown into circulation by a needy sovereign to meet all the expences of useless display.

The credit of paper is a disposition of public opinion, which is strengthened by general example and habit to such a degree that a time arrives when nobody thinks of converting it into cash: abstractly speaking, every body may know that the existing mass has no solid base, but this ideal reflection does not intrude into the ordinary transactions of life, and distrust does not attach to this or that individual piece of the paper. It is received as it is given. Others have trusted it, we can trust it as well. It involves an

effort, a locomotion, a loss of time to go to the bank and change it. Where is the motive to take this trouble, as long as it can be passed from hand to hand and answers all the current needs?

This is the result indicated by theory, and the practical result fully agrees with it. This cannot be a matter of doubt. Both in political pamphlets and in conversation, tricks and artifices are often alleged on the part of the bankers to encrease the circulation of their paper. If this is true, it is one more proof of the disposition of the public to receive it. If there were some distrust, the paper issued in this way would avail them nothing; it would return into their hands as quickly as it had left them; and the more haste was observed on their part in spreading it abroad, the more unwillingness would there be to keep it.

In a report of parliamentary debates* I find an account of an exchange of views in the House of Lords which affords strong evidence of the public confidence in the paper money of the provincial banks. According to the report one of the Lords who complained of the scarcity of money, quoted as proof the fact that in the payment of his rents one eighteenth had been paid in specie, another eighteenth in notes of the Bank of London [*sic*], and all the rest in notes of provincial banks.

Now if this fact proves in what abundance this paper exists, it proves at the same time the disposition of the public to accept it: the one could not obtain without the other. In fact, if a man has no faith in this paper, what need he do but carry it to the bank and convert it into cash or at least into paper of the Bank of London? The Noble Lord who quoted this fact does not add that he himself experienced this distrust and that he feared to find it in others. His apprehensions were ideal and did not concern the present.

Call them *air bubbles* if you like; these bubbles acquire through custom a consistency which suffices to enable them to do service, until an unforeseen and sudden shock arrives to which they cannot stand up. The individual who takes them does not accept them on the strength of the opinion which he himself entertains of their solidity, but on the strength of the opinion which he sees or which he supposes in others. Such was the case in the Mississippi speculation, such was the case in the South Sea affair. Even if I believe that a note of £100 is not worth a farthing, I shall none the less be willing

*Debate of June 1, 1801; *Porcupine*, June 2.

to give £200 for it, if I see other persons willing to take it from me, not only for the same sum, but for a still greater one.

Eleventh Proposition.

Negotiable paper is not susceptible of the same excess as the paper money of the provincial banks.

Paper money, as we have just seen, has no assignable limits.

Negotiable paper has limits, and even very definite ones: it has limits on either side, on the side of the lender as well as on the side of the borrower. The lender *cannot* lend more than he has: the borrower *will not* borrow beyond the sum which he can use with the hope of gain.

In order to expose the contrast between the two cases, we must first suppose that there is no paper money, then introduce it and observe the consequences.

1. Where paper money does not exist, the banker cannot lend more than the money which he has received in deposit, *minus* the usual amount of his security fund. If he had no security fund in reserve, his ability to lend would still be limited: it could not exceed the sums deposited in his hands. But although this security fund may vary a great deal, though it may be, according to circumstances, a tenth or a fifth or any other proportion of the deposit received, yet it constitutes a necessary and indispensable ingredient of any banking house, as we have proved in the first part of this work.

2. As for the borrower, what it suits him to borrow is only the sum which, added to his pecuniary capital, may lead to a return of the same sum with the addition of interest and profit: interest to hand with the principal to his creditor, the banker: profit to add to his own means.

This limitation seems to me sufficient to prevent negotiable paper from multiplying to excess: that is to say, from producing an encrease of prices and carrying with it a danger of general bankruptcy.

First as to the encrease of prices. The new capital advanced in this manner cannot return to the lender otherwise than through the production and the sale of a proportionable quantity of new goods. It is in this commercial expectation that the money had been borrowed. To return it at the stipulated time is to give proof

that the object has been accomplished; that is to say, that there has been production and sale to the amount of the paper. If the object has failed, if the borrower does not honour his obligation, there is only one loss once and for all: as the borrower loses his credit, he loses the faculty of renewing his obligations.*

This advancing of capital by means of negotiable paper, accompanied as it always is by a proportionable encrease of saleable goods, cannot have any influence on prices: at least this influence would be too inconsiderable to be put on the list of public evils. In fact, the encrease of prices resulting from negotiable paper and paper money in general, has been a hundred per Cent in the space of forty years: but the influence of paper money on this rise is so much greater than that of negotiable paper, that it can be stated that, if the latter alone had been in existence, the encrease of prices which has taken place in these forty years, would not perhaps have been accomplished in less than eighty years.

With regard to the danger of a general bankruptcy, the case is still clearer. If the two kinds of paper together have not produced this catastrophe, nor even the appearance of an imminent danger, so much the more reason is there [to assume] that only one of these two modifications of pecuniary credit, and that the one of them which has least effect, cannot lead to that calamity.

We have so far considered negotiable paper without paper money: let us add the existence of the latter and see the effects.

The negotiable paper, after having been discounted by the banker, remained in his hands until the time of payment: it left the hands of the *drawer* in order to pass into those of the *banker*: that was all its existence. In the actual state of things, a negotiable paper, as it can be converted into paper money, enters into circulation; it is received as payment; it does not remain in the hands of the banker but passes from hand to hand, as would an equal sum of metallic money.

However, the encrease of circulation which results from it is more apparent than real. This paper does not circulate through the whole mass of pecuniary transactions as does paper money: it does not enter, unless by accident, into the payments of consumers: it passes

*Hence supposing that negotiable paper exists in excessive quantity, this excess tends to correct itself spontaneously. Why? because it always bears a fixed date when it must be paid; it cannot, like paper money, be accumulated and impounded without its measure being known until a crisis, when it is presented from all sides to the bankers for an impossible payment.

only from merchants to merchants. Thus it always remains confined to objects of commerce, it always contributes to production; it does not, like paper money, swell that mass of money which is mainly applied to consumption and which encreases prices.

Negotiable papers are in fact very ill fitted for general circulation. They are generally for great sums, and for sums of varying size. To accept them, one must trust in the solvability of the parties, and, to give them in payment, find the same confidence in the person to whom they are offered. Moreover, in giving a bill of exchange in payment, one does not rid oneself of the debt; one is not free until the bill of exchange is paid; what one obtains until then is not an acquittal, but only a respite, whereas when payment is made in paper money, once it is received, one is completely quit. The only debtor that remains is the owner of the bank which has issued the paper.

It will perhaps be said that this whole theory is defeated by facts. At those disastrous periods of commerce of which Adam Smith speaks,¹ the paper that existed in excess and that caused so many bankruptcies, was not paper money, but negotiable paper. This is true: but in the first place, this evil was only small compared to the evil which would result from a general bankruptcy, such as would be inevitable the moment paper money was discredited. The excess corrected itself spontaneously: the engagements for fixed terms were not honoured, the paper was not renewed and the evil was confined to known limits.

Secondly, it is not in the nature of things that this misfortune should repeat itself. It is a rock against which the commercial world could run through inexperience, but today when it is known it is not probable that it would cause the same shipwreck a second time. Paper money was at that time, comparatively speaking, very rare. Today when its possibilities both for evil and for good are so well known, an instrument so little convenient as negotiable paper will not be employed when there is at hand an instrument more manageable and more simple.

Twelfth Proposition.

Bankruptcy is a necessary consequence of an encrease of paper money, supposing no limit is set to it.

¹[*Wealth of Nations*, bk. II, ch. II.]

This proposition is as important as its proof is easy and certain.

In proportion as the paper money encreases, the bankers reserve a proportionable quantity of metallic money for their *security fund* or they do not. In the second case, bankruptcy must come through the lack of this fund; in the first, through its abundance.

By a moderate estimate, the additional paper at 1800 is set at £3,000,000; the security fund in metallic money being a third according to Mr. Boyd,¹ there would be £1,000,000 put in reserve. At this rate, in a period of thirty-six years, the sum which would find itself in the hands of the bankers as their security fund, would amount to £36,000,000.

According to the official estimate of Mr Rose, the highest that has been made, the amount of metallic money in the three kingdoms was in 1800 below [£]44,000,000.²

The difference would be £8,000,000.

But these £8,000,000 are below the sum required as security fund of the [£]16,000,000 in paper of the Bank of London, and of the [£]16,000,000 of the provincial banks existing at this time in 1800.

It would follow that in thirty-six years all the metallic money would be absorbed to compose the security funds of the banks.

But without directing our eyes to such a distant epoch, it seems certain that money in gold has already become rarer. This is indeed a point on which there is no difference of opinion. Make from this reduced quantity a further deduction of a million per year, and it is not difficult to prophesy that bankruptcy will not be far away if things are left to follow the same course.

It is true that to compensate for this million taken each year from circulation it can be supposed that a million is given back to it in new specie coined each year.

Such a supposition does not agree with the experience of the past. Indeed it is incompatible with an opinion which seems well founded, that since the encrease of paper money, gold diminishes by continual exportation. If guineas are exported, this can only be because of the scarcity, i.e. the dearness, of bullion gold; and if bullion gold is scarce, i.e. dear, it is not probable that the Bank buys it with the sole object of coining it and furnishing specie for exportation.

As far as I am concerned, I have not found sufficient reason to

¹[Cf. Walter Boyd, *A Letter to the Right Honourable William Pitt*, 1801, esp. pp. 91 *et seq.*]

²[Cf. George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures of Great Britain from 1792 to 1799*, 1799, Appendix No. 4.]

believe in the existence of such an exportation of guineas: but on the other hand neither do I find sufficient reason for the expectation that by minting an addition is made strong enough to maintain between paper and specie a proportion which could ward off bankruptcy.

In general, when the idea of bankruptcy presents itself, the idea of human prudence presents itself at the same time as a preservative and as a resource. But in the case under discussion bankruptcy is an event which seems the more immediate and certain the more prudence is employed to prevent it. The more the danger of this catastrophe impresses the mind of a man and influences his conduct, the more prone he will be to set aside a security fund proportionate to the paper which he puts into circulation: until in the end the whole existing mass of money will be taken out of circulation and absorbed by the coffers of the bankers. On the other hand, the more carelessness and lack of foresight there is, the more paper is allowed to multiply, the more it circulates without examination, until a moment of distrust and alarm arrives when a universal and instantaneous demand will produce the catastrophe of bankruptcy. Under a system of perfect prudence, it would be inevitable and accelerated: neglect and imprudence may hasten it in various ways, but it may also happen that they retard its coming.

I understand by general bankruptcy the complete loss of value of all paper money as well as of the credit which serves as the basis of the banking trade.

The power of making purchases otherwise than on credit, the power of making purchases between persons who do not know each others' pecuniary circumstances, would be exclusively limited to the possessors of metallic money.

Interest-bearing government paper and East India Bonds will resist the loss of credit better than bank paper.¹ The suspension of interest payment for a certain time would be anticipated, and in consequence such paper would be discounted at a loss. But the revival of [its] credit would be regarded as a certain, though more or less distant, event, and this paper would continue to circulate: guineas would be given in exchange for it.

Manufactures would be at a standstill: workers in general would be without employment and without means of subsistence. The masters would not have sufficient funds in gold and silver to continue enterprises which had been based on pecuniary credit.

¹["*le papier des banques.*"]

Farmers, estate owners, and country labourers would suffer least. The former would have in their possession the fruits of the soil, the natural means of subsistence. The estate owners would find credit and would make themselves paid in kind if the farmer could not pay his rent in money.

But there would be numerous individual exceptions. The farmer who produced nothing but hay, and he who had sold his harvest of grain, would not be in a better condition than the manufacturer.

As the laws in favour of the poor would not be abolished, the dismissed labourers would have a right to assistance from their parishes: but as a great part of those who furnish this assistance would themselves be in need of receiving it, before a new distribution of this burden could be made among those who would still be capable of carrying it, a considerable time would elapse during which a multitude of indigent persons would perish from want. As robbery would offer a resource, and submission would offer none, bands of vagrants would form themselves, composed mainly of discharged factory hands, day labourers without work, artisans of luxury trades and domestic servants without a place, who would throw themselves on the stores, would infest the markets, and would do still more harm by destruction than by looting. A part of these insurgents would perish through the sword of justice: others through famine.

Money would be lent only on the highest securities; none would be obtained on moveable effects save by pawning them, or on immoveables save by way of mortgages.

Given a quantity of goods, the prices are in proportion to the quantity of money in circulation and the rapidity of that circulation: the utter ruin of paper money and of the banking trade would consequently have for its necessary effect the reduction of all prices, supposing that the quantity of saleable commodities remained the same.

All prices would fall to about a fifth of their actual height, and the wages of labour would be reduced in the same proportion. Estates instead of representing a value of 24 or 30 years' purchase would not be worth more than five or six years of their given rent. A guinea would then be worth as much as five are now. The lucky possessor of specie would find his property multiplied by *five*: all others would find theirs reduced in the same proportion.

BOOK III. REMEDIES

[Chapter 21. *Objects or Ends in View.*]

Having exposed the evil effects of paper money, that is to say, of an unlimited encrease of paper money, it remains to consider the remedies of which this evil is susceptible.

Two kinds of remedy must be distinguished: those applicable to the future by way of *prevention*: those applicable to the past by way of *compensation*.

The preventive measures will have for their common object the reduction of this encrease. The reduction of paper money admits of several degrees—to slow down the encrease, to stop it, to produce a positive diminution, to suppress this species of money altogether.

Compensation cannot be administered otherwise than by an addition to the revenues which have experienced a reduction since a given point of time.

Under this head will have to be considered:

1. whether compensation ought to be given in any case;
2. to which classes of persons it ought to be given;
3. what ought to be its amount.

Under the head of preventive remedies,¹ two kinds of measures will have to be considered: 1. preliminary measures, consisting in investigations to be instituted by a Committee of the two Houses of Parliament in order to establish the points of fact on which the [necessary] laws ought to be based; 2. definitive measures, consisting in the laws which will have to be made.

[Chapter 22. *Preliminary Investigations.*]

Legislative measures must have, for their basis, investigations by the Legislature. I have already pointed out that an individual could not procure himself the information necessary to arrive at certain and satisfactory results. I assume therefore that the government will employ the means which are at its disposal, in order to obtain the *data* required both to determine the degree of the evil, and to apply the remedy.

The evil is the encrease of prices. Bankruptcy is certainly an evil

¹[The MS speaks here of “*remèdes définitifs*”, but it is obvious that this is a slip of the pen.]

of an entirely different importance, but in an investigation conducted by order of Parliament it would not be prudent to speak of that catastrophe as of a probable event; and fortunately this is the less necessary, as the measures that can serve to put a stop to the former of these evils are the most efficacious for the prevention of the latter.

Taking the rise of prices as a fact of public notoriety, the first object of the Committee of Investigation will be to determine, for a certain period of time, what the sum total of that rise has been.

The period which ought to be chosen is the period nearest to us, because it is the most interesting and the one which affords the greatest facility for investigation. It should be of sufficiently long duration to give a mean of all the accidental variations which, in a shorter space of time, could affect the correctness of the general result.

To have perfect knowledge of the subject, it would be necessary to know for each portion of time, for instance for each year, the aggregate of all the prices of each article in that year, i.e. the quantity of all the articles bought together with the respective sums of money given for each of them.

This perfect knowledge being beyond the power of man, we are reduced in order to form an idea of the total price to judge of it by means of samples.

A sample is an individual article from which a judgment is formed on the total mass of articles of which it constitutes a part: and if two individual articles are employed in this way to form a judgment relative to their respective masses, the supposition is that mass is to mass as sample to sample.

Given the quantity of money used each year to constitute the prices of the year, and equally, given the quantity of saleable articles sold within the year for these respective prices, the effective causes of variation in the prices between article and article of the same kind will be quality, place and time.

Different [qualities of] article of the same kind and in the same quantity bear different prices at the same place and at the same time.

The same kind of article bears different prices at different times in the same place.

The same kind of article bears different prices at the same time at different places.

The conclusion drawn from one kind of article with regard to the

total price of the mass will be the more correct, the more fairly the sample is chosen from the most general price, and the greater the number of samples that are taken.

The conclusion drawn from a single sample, if it is chosen from the most general price, will be equally just whatever the size of the mass may be. A handful of grain taken from a well mixed barrel is as certain a sample as a whole bushel.

Among articles considered as heterogeneous in relation to each other,¹ the most reliable sample is the one taken from the most important article: i.e. from the article of which the sum total of prices is the greatest in comparison of all the other prices. Thus the price of corn is the most reliable sample of all the prices in general.

According to these principles we shall find

1. that the price of victuals is the most reliable sample of general expenditure;

2. that among victuals the price of grain affords the most reliable sample;

3. that the price of butcher's meat affords a sample which is more reliable than all other articles together with the exception of grain.

It is a fact of public notoriety that, at the same time, there is often a considerable difference in prices between one place and another.

A series of prices for one and the same article taken in a series of years at different places, would be exposed to such causes of variation and incertitude that it would be impossible to draw from it any practical result.

Given two corresponding series of prices for different years in different places, it may be assumed that the proportion is the same in one place as in the other, unless a special cause of variation can be assigned.

Hence if the price of corn was as high in London in 1800 as in 1760, it may be assumed that the same proportion would be found between these two years in all the towns of Great Britain, although the price would be found a little higher in one and a little lower in another than the price in London.

Under this supposition a table of prices in one particular locality, and even the price of a single year in another locality, may have its use.

¹["... *hétérogènes par rapport aux autres* . . .": obviously the text is nearer to Bentham's meaning.]

In order to verify what, in the encrease of prices, is the result of the encrease of money, it is necessary to deduct what is the effect of taxes.

In the case of several articles, it would perhaps be found that there is no encrease of price beyond the amount of the taxes on these articles; in others, that the encrease is nil; in others, that there is a reduction. All this does not overthrow the general proposition that prices have encreased, and that this encrease is due to the encrease of money. The absolute or comparative decrease of money prices has had for its cause the decrease in the *costs of production*. If the article has been produced with less labour and less raw material, it will be offered for a lesser price.

The articles for which this reduction in the costs of production has taken place constitute the smallest number and the least in value, compared to those which have not had the same advantage.

The same observation may be applied to the articles subjected to taxes, compared to those which are not affected by this cause of the encrease of prices. Wheaten bread, potatoes, butcher's meat, milk, butter, cheese, vegetables, hay and the various feeding stuffs of the animals whose flesh furnishes butcher's meat, as well as the various materials of woven stuffs, wool, linen, flax, cotton and silk make up the greatest part of the national expenditure on the score of subsistence. But these objects have not been taxed.

It is in the encrease of the prices of these articles that the pure and simple effect of the encrease of money is seen, because there is no tax to obscure it by pushing simultaneously in the same direction, nor a reduction in the costs of production which deceives by acting in an opposite direction.

An observation which has often been made in England as a subject of congratulation with regard to the opulence of the country and as a matter of eulogy for the conduct of her political affairs, is that the burden of taxes lies almost exclusively on luxury goods. The list of tax-free objects which I have just given proves the truth of that observation. This list contains almost all the articles of absolute necessity.

Another observation which is often heard, and which is not without justice, is that the encrease in prices presses particularly on the middle classes of the nation. It presses less on the poor classes, the class of labourers which is the poorest of all, because it has less effect on bread than on butcher's meat, and because bread con-

stitutes a greater proportion of the nourishment of that class than of the others.¹

With regard to the richest classes, the rise in prices seems to affect them less, partly because of the effect of moral illusions which cause all that belongs to the condition of the rich to be seen from a false point of view, partly because the fact [that the costs of production have decreased] is true for a great number of objects of taste and luxury which constitute a great proportion of the expenditure of the highest classes.

The first task [then] of the Committee [here proposed] will be to make an investigation [along these lines] into the encrease in prices since [say] the commencement of the reign of George III.

The second task will be to make an investigation into the quantity of money of all sorts, metallic money, or paper fulfilling the function of metallic money, considering its various degrees of encrease or decrease during that period, as also the causes which have accelerated or retarded its circulation, i.e. the number of times it has changed hands within a given space of time.

First head of investigation: Encrease of prices.

Points to be determined:

1. Which articles shall be included in this investigation? To extend it to all would be a never ending and useless endeavour. It is only essential to know the *definitive* prices: the *preliminary* prices are useful only because they serve as an indication with regard to the others.

2. What sources of information should be drawn on?

3. How is the investigation to be conducted with regard to the differences of prices resulting from the difference of place?

The object being to ascertain the comparative value, at different periods, of a mass of revenue nominally constant, those articles ought preferably to be chosen which constitute the greatest part of the periodical expenditure of the most numerous class of the people. Another circumstance which may influence the choice is the comparative facility of obtaining information on these articles rather than on others, and the uniformity of price from place to place.

¹[The following sentence runs: "*Au reste cet avantage est plus que compensé pour eux par le déficit comparatif dans l'augmentation des gages du travail.*" This statement seems to contradict Bentham's argument that the country labourers are not so hard hit by the inflation as the middle classes. The difficulty is probably due to faulty translation.]

1. Articles of food and drink, above all corn of various kinds, [and] the most common sort of butcher's meat. The price of poultry, as an object of luxury, is too much subject to variation. The price of fish would perhaps be difficult to follow through a series of years. For tea, sugar, beer, wines and spirits, information is easy to obtain. Tobacco, although it does not contribute to subsistence, is an article of so general consumption, especially in the lower classes, that it must not be omitted. Hay and oats for the feeding of horses.

2. Fuel, especially coal, an essential commodity on which [information of] the greatest precision can be obtained.

3. The same applies to lighting from oil used in lamps, down to candles.

4. Articles of clothing. This item would be very complicated in view of the diversity of materials and the variation of prices. It would be necessary to choose the most important and to neglect the others, leather, draperies, especially the most common sorts, linens, cottons, stockings, hats, &c.

5. The price of building materials. However, this item is only for those who build for their own use: the rent of houses is the only thing which affects the value of revenues. The prices of materials belong to the class of preliminary prices.

As for furnishings, they are so varied, so dependent on fashion and on the condition of the various individuals, that it is almost impossible to draw any positive result from all the researches which could be made on the subject. Moreover, as the durability of these articles is of a nature halfway between that of goods of quick consumption such as victuals, and that of permanent things such as houses, the expenditure on these commodities is of a nature halfway between the annual expenditure of revenue and the investment of a capital.

Books, musical instruments, paintings, and etchings are likewise foreign to this investigation. Variety is infinite, and value varies more from one individual article to the next than between one class and another.

The articles the prices of which come under the description of preliminary prices, are excluded for the reason already given, namely that we are concerned here only with the prices which affect the value of income. The preliminary prices are necessarily included in the class of prices which I have called definitive, the prices of the various articles in the state in which they are ready for use.

Sources of information will not be wanting as soon as there is a competent authority to consult them. Every public establishment where maintenance is provided for a certain class of persons has account books where evidence is to be sought: they will be more or less satisfactory according to two circumstances which demand particular attention, the manner in which the purchases are made, and the manner in which the accounts are kept.

In London and near London—

1. Hospitals for maintenance, such as Chelsea and Greenwich.
2. Hospitals for maintenance and medical treatment, such as Bedlam and St Luke's.
3. Hospitals for medical treatment only, Guy, St Thomas, St Bartholomew and the hospital of White Chapel.
4. Hospitals for maintenance and education, Christ's &c.
5. Schools with a foundation which gives part of the maintenance, such as Westminster School, Charterhouse, and some charity schools.

All over England—

The colleges where subsistence is drawn from a common fund of which regular accounts are kept, such as the Universities of Oxford and Cambridge, the schools of Eton and Winchester, various charity schools and other eleemosynary foundations.

The same applies to Ireland and Scotland.

In default of public documents, recourse must be had to the account books of particular families, but there are so many accidental differences in the way of life of different families, and of keeping accounts, that the evidence drawn from this source is very inferior to that from public establishments.*

Though prices differ from county to county, though for instance prices in Wales are very different from those in London, yet these differences do not lead necessarily to inexactitude in the calculation and in the practical results.

In fact, supposing documents had been found sufficient for knowledge of the prices of the essential articles during the reign of George III in the Metropolis of each of the three kingdoms, the differences that might exist in the prices of some remote provinces would not affect the correctness of the result. Assuming that the

*The account book of the Northumberland family published in the last century is in many ways a curious monument, not only for prices but for the knowledge of the customs of those times. [Cf. *The Regulations and Establishment of the Houshold [sic] of Henry Algernon Percy, the fifth Earl of Northumberland, at his castles of Wresill and Lekinfield in Yorkshire. Begun A.D. MDXII* (ed. Thomas Percy), 1770.]

difference be 20 per Cent between London and Wales, if this difference is observed in the proportional mean of several years, the encrease in prices in London will be no less an exact measure and a faithful representation of the encrease in prices in the Kingdom, including Wales.

If the prices had been stationary in some of the provinces, then the prices of London could not serve as a general thermometer, but this is not the case.

The great highways and the canals have always been a subject of popular complaint as producing an encrease of prices. The fact of the encrease of prices was certain, the reputed cause doubtful.

The greater facility of communication could have no other effect than to diminish the general cost of transport. To diminish the general cost of transport was to diminish that part of the national expenditure: and there cannot have resulted from it any encrease in prices in this or that locality, or if there has resulted from it an encrease in one place, there must have resulted a still greater reduction in some other.

In these circumstances, it must naturally have happened that the price of this or that object has experienced a temporary encrease because the new facility given to transport has swelled its export, but this rise of prices has been more than counterbalanced by the reduction that has taken place in other articles. This does not prevent complaints: it is in the nature of man to see evil through a magnifying, and the compensations through a diminishing glass.

The prices of the Metropolis at a given time would not be a reliable and exact sample of the prices of all the Kingdom: but the gradual *encrease* of prices in the Metropolis for a series of years presents, I am convinced, a proportionable measure, which is sufficiently exact and sufficiently reliable, of the encrease of prices in the remainder of the Kingdom.

[Second head of investigation:] Enquiry into money.

The second task of the [proposed] Committee is to gain knowledge of the quantity of money of all sorts that has been in circulation in the various years of the period in question.

Articles which constantly or occasionally fulfil the functions of money.

1. Gold money. Its quantity is already known and public.
2. Silver money. This is a comparatively unimportant item. The

quantity of it in circulation can be known only imperfectly in view of the fact that the greatest part is furnished clandestinely by forgers.

3. Copper money. This is a still less important item. The same observations apply as to silver money.

4. Notes of the Bank of London [*sic*] payable to the bearer.

5. Notes payable to the bearer issued by provincial banks.

N.B. From these two masses must be deducted the amount which the banks keep in reserve as their security funds.

6. Negotiable bills of exchange payable to order, in so far as, by passing from hand to hand, they do the same service as an equal sum of cash, and leave an equal quantity of existing money free to circulate in other channels.

N.B. From this mass must be deducted the amount of the bills of exchange discounted by the bankers and withdrawn from circulation.

This item may be estimated, as it is subject to a tax: it can, however, be estimated but imperfectly, because the tax is not proportional to the value of the bills and only falls on those of a certain amount.

7. Exchequer Bills. In so far as they are kept by the bankers to constitute a portion of their security funds, instead of metallic money or notes of the Bank of England, they leave an equal quantity of the latter free for circulation.

This item is susceptible only of approximate estimation.

8. East India Bonds. The same observations apply, but as these bonds are not accepted in the payment of taxes, they will be less apt to form part of the security funds than Exchequer Bills.

9. Irish Debentures. The same observations as in the preceding case.

10. Navy Bills and other negotiable government paper, today abolished, but which have fulfilled the function of money and contributed to the rise of prices for the duration of their existence.

To attain a knowledge of the quantity of money in circulation and of the *momentum* of its force through the rapidity of that circulation, i.e. by the number of times that a piece of money passes from hand to hand during the year, evidence on two points is required: 1. knowledge of the respective quantities of all kinds of money passing from hand to hand at each portion of time, and helping to constitute the prices; 2. knowledge of the various

quantities kept out of circulation and put into reserve for security funds.

The quantity of money in existence being given, and the mean rapidity of circulation being given likewise, the effective power of a mass of money will be in inverse ratio to the total mass kept in reserve.

It is clear that this evidence can be obtained only by copious and faithful extracts from all the bankers' books [kept] during the abovementioned period, extracts under all the heads enumerated above, year by year and day by day.

Will it be said that an enquiry of this nature could endanger public credit and lead to bankruptcy by exposing the weakness of the foundations of pecuniary credit?

This objection would be well founded if this enquiry were to take place in a moment of crisis and alarm, or if it were not an indispensable preliminary to measures of public security. The enquiry has the most legitimate object: to give the greatest possible stability to national credit, to put it beyond the danger of shocks such as it has already experienced, and may yet experience from the rashness of individuals.

Will it be said that this enquiry may be fateful for the credit of this or that particular bank?

But this danger cannot arise unless the pecuniary circumstances of these banks were exposed to a greater notoriety than they could have been otherwise. This danger is completely prevented by the nature of the Committee charged with this enquiry, a committee secret, small, and composed of persons who have no interests opposed to these banks.

This measure, it must be admitted, cannot be agreeable to those who are the objects of it, but when it is proved that it will not expose them to any danger, an objection drawn from this circumstance alone will not have much force against reasons of such great and general utility. There is no more in this examination than in the enquiry to which the whole nation has been submitted for the sake of the Income Tax. Even the receivers of commercial secrets did not offer the same security as a Committee chosen from both Houses of Parliament.

The investigation to which the Bank of England was subjected in 1797 presents an instance still more applicable to the present case. It is difficult to see on what grounds private banks, new

associations of two or three individuals, would escape an obligation to which that great and ancient corporation, the mainstay and so to speak the ally of government, was submitted.

It has been found convenient to make known all the issues of gold and silver from the Mint. If there are reasons for this publicity, they apply with still more force to the issues of paper money made by individuals. That each banker should be able to possess a factory of money, to give a prodigious value to materials devoid of any intrinsic value by the addition of a few words, that he should have the right to levy on the public an unlimited tax for his own benefit, without being even obliged to make known the amount of this tax, that the creation of an independent authority, *imperium in imperio*, be permitted in the sphere of a government that is in all its parts subjected to the vigilance of a continual control, is a singularity and a political contradiction which needs only be announced in order to prove how absurd it is.

[Chapter 23.] *Definitive Remedies.*

[The double investigation above proposed will not fail to substantiate the reality of the evils the exposition of which is the purpose of the present work. Legislative action will then follow of course. All that is needed to obviate the disadvantages and dangers hitherto connected with the circulation of paper money, is the passing of two Acts of Parliament, one on the registration of banking houses, the other on the taxation of paper issues.]

[First Act of Parliament: Registration of banking houses.]

[The tenor of this enactment will be as follows:]

1. No individual or company shall be entitled to carry on the banking trade without a Patent. Each Patent shall be distinguished by a number and handed out by the Stamp Commissioners.

2. No Patent giving the right to issue bank notes shall be delivered before the banker has furnished security either with or without a pledge, in a certain proportion to the greatest sum of paper money which he is entitled to keep in circulation at any one time. The security must be renewed annually.

3. Each banker already established in this trade before a stated day and having issued bank notes before that day, shall be authorized to take out such a Patent, on finding such security: and to keep in circulation a sum of notes which must not exceed the

proportion which will be laid down, between the paper issued and the security.

4. No person other than those who have already carried on this banking trade as above shall be authorized to take out such a Patent except in the case of a vacancy in the number of Patents, and only for the quantity of bank notes attached to that Patent.

5. Each Patent will authorize its holder to keep open or to open up a banking house or a number of banking houses [anywhere] in the whole territory of the three Kingdoms, and to change the location of one or other of these banking houses as often as he sees fit, as long as the quantity of paper kept in circulation by these various houses does not exceed in its sum total the quantity determined by the Patent in question.

6. In case of vacancies in the number of Patents, either because the original holder has not wished to renew it, or because he has been unable to do so, from inability to find the required security or because he has gone bankrupt, the vacant Patent will be put up to auction by the commissioners nominated for this purpose: the bidding will consist in an annual payment of a certain percentage on the amount of paper allowed by the Patent, beyond the annual due payable at this rate by each of the said Patents.

7. A periodical account shall be rendered annually by the proprietor of each Patent so as to make known the average amount of his paper in circulation and the average size of the security fund which he keeps in reserve.

8. The same accounts will be given periodically by the Bank of England as well as by the incorporated banks of Scotland and Ireland, according to a form which will be prescribed.

[Second Act of Parliament: Taxation of paper issues.]

[This legislative measure ought to enact:]

1. That the tax of 4d laid on notes of £1 be extended to all the notes of the provincial banks, to the amount of 4d¹ for the value of each pound st., i.e. 8d for a note of £2 and 12d for a note of £3. (This tax is the [third]² part of the profit made at a rate of interest of 5 per Cent on the issue of these notes.)

2. That bank notes for values not in use up to the present be prohibited, and also the notes, if there be such, which carry values little in use, as would be those of 10 or 15 or 25 shillings &c. (This

¹[Marginal note: "instead of 4d may be put 2d".]

²[The MS speaks of "the sixth part". See the foregoing footnote.]

[regulation] has for its object to facilitate the collection of the tax and to avoid the multiplication of stamps.)

3. That the abovementioned tax be payable not once for all, at the issue of the paper, but annually.

4. That the tax payers furnish each year an account of all the notes which they have in circulation, unless they prefer to submit to the obligation of using stamped paper.

5. That, in order to submit all paper money more effectively to the tax, a time be fixed (a year for instance) after which the notes that have been issued before the new regulation shall no longer be payable. (This measure is necessary to force all those who possess bank notes to present them for payment or exchange against new notes that have received the sanction of the stamp.)

6. That any person who has circulated sums of paper money beyond what is laid down in the Patent, will be liable to the penalty of forfeiture of the amount of this surplus.

7. That, in order to prevent the crime of forgery in the fabrication of bank notes, they be printed on stamped paper, but that the tax on these notes, instead of being exigible in advance, be exigible only after the profit has been received, i.e. six months or one year after their issue.

All banks are comprised in this regulation, those which do not issue paper as well as those which do. As, however, the former contribute neither to the rise in prices nor to the danger of bankruptcy, there is not the same strong reason to subject them to these various obligations. They are places of deposit, and as such the public is interested to know their solvability.

In this regulation there are two kinds of interest which must be attended to, those of the public and those of individuals; those of the public by keeping the quantity of paper money in circulation as it is at present, without reducing it and without permitting it to be encreased, as this will suffice to prevent individual bankruptcies and to remove all fear of a general bankruptcy; those of individuals by leaving them free to open several banking houses and to take their establishments to the most favourable places.

As for the pecuniary security fund required of each banker, its purpose concerns their final solvability: for we have often repeated that immediate and uninterrupted solvability at every juncture is irreconcilable with the very essence of the banking trade. It is enough to be assured that the value of the pledge is such that the

bankers would be able, in the last resort, to meet their engagements. Houses and landed estates which could not contribute to immediate solvability may serve as a guarantee for final solvability.

It will perhaps be objected that in the number of existing banking houses there could be some which would not possess sufficient funds to give the security required by the regulation, and which would be obliged to abandon their trade. This inconvenience is hardly probable. This trade, finding itself under the [proposed] regulation limited to a fixed number of individuals, would become up to a certain point a monopoly, the parts and shares of which have too much value for a sufficient number of interested persons and buyers not to present themselves. In the case supposed, the existing proprietors who did not have the required capital, rather than give up a right that had become so precious, would take associates, abandoning a certain part of their profit. This sacrifice would be a kind of punishment for the temerity of having undertaken such a trade with an insufficient capital, at the risk of deceiving their creditors. Nobody would have the right to complain of being subjected to a precaution which is so conformable to justice and so necessary for public security.

If, after having put an end to the encrease of paper money, money in general still continued to multiply, from the augmentation of metallic money, to the point of producing a sensible rise in prices, it would be necessary to take measures to limit the augmentation of metallic money to the degree required for the end in view.

The ideas of encrease of money and encrease of territory are so strongly associated in the minds of men with the idea of an encrease in real wealth, that it appears almost impossible to separate them. The distinction between these ideas becomes clear for everyone who takes the trouble to reflect, but many generations will perhaps pass by ere the opinion of thinking men becomes the opinion of the public.

The error of the understanding in this case is produced by two passions which have their roots very deep in the human heart. Avarice and ambition, when they are heightened to a certain point, make men blind and deaf towards facts and reasons which oppose their prejudices; that is to say, the passions produce in the mind infirmities corresponding to those which arise from certain diseases in the physical organs.

The encrease of metallic money in circulation has a greater effect

on the encrease of prices than an equal encrease of paper money: because, according to an observation which has been often repeated in the present work, a new issue of paper money produces a certain defalcation from the metallic money in circulation for the purpose of constituting the security funds in metal which are necessary to sustain the paper money. Metallic money raises prices by its whole amount; paper money raises them only by a part of its amount.

The encrease of metallic money will not, it is true, augment the danger of bankruptcy: but neither will it operate in diminution of this danger, because in the measure in which it grows, paper money, with the support of this additional security, will grow in the same proportion. The banker who would hold a greater quantity of metallic money, could not impound it without loss; he would use it to multiply his transactions by means of a greater issue of paper, and the danger of bankruptcy would remain the same.

Hence without encreasing public security in this respect, the encrease of minted metal would serve only to produce the undesirable effect of a rise in prices.

But is it probable in the actual state of things that metallic money should experience this pernicious encrease?

If the exactitude of the accounts published by Mr Rose on the quantity of gold in circulation in 1777 and in 1798 be admitted,¹ and if an encrease year by year be assumed which is equal to that during these 21 years, it will be found that in 1807 the quantity will be double of what it was in 1777.

If this is assumed, and if for a moment an important consideration be disregarded, viz. the encrease of real wealth, i.e. of all saleable commodities, which counterbalances proportionably the encrease of money, the prices will be found to be doubled in this period of 30 years, by this doubling of [the quantity of] money.

Now the evil of this doubling [of prices] would not be diminished because instead of paper money it had for its cause metallic money. We have already shown that an addition to the means of circulation in paper money produces an addition in real wealth, while an addition in metallic money produces nothing in the way of real wealth but what could have been produced without that addition. From it then there results only an inconvenience without any admixture of good: an inconvenience serious enough to make it

¹[Cf. George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures of Great Britain from 1792 to 1799*, 1799, Appendix No. 4.]

the interest and the duty of those in authority to take measures for preventing it.

Three different methods are possible for the limitation of the quantity of metallic money in circulation:

1. No longer to permit the coining of bullion into minted specie.
2. To permit the continuation of this coining, but on the condition of paying to the government, under the name of a tax, a certain portion of the material converted into specie: coins of the same denomination to preserve the same weight and the same name.
3. To receive bullion as before, and to return in exchange a quantity of specie of the same denomination, but reduced in value by a reduction either in weight or in name or in both.

The first of these three means is the simple and direct remedy, all sufficing and without inconvenience. There is nothing against it but its novelty and prejudices founded on ancient errors.

The second offers a collateral advantage in the encrease of the public revenue: but if the tax did not prevent the encrease of metallic money, the collateral advantage, the profit of the Exchequer, would not be an indemnification for the loss experienced by the government from the depreciation of money.

As for the third expedient, that of reducing the weight of guineas, I do not know what would be its effect in limiting the encrease [in the quantity] of money: but it would carry with it a major inconvenience which suffices to reject it. It would bring into minting a very high degree of difficulty and useless confusion. Nobody would be willing to give for the light guineas the same value as for the full guineas; the new guineas would not be valued at 21 shillings, or the old guineas would be valued more highly: so that there would be two pieces, as it were two different values, under the same denomination.

In France, under the monarchy, the king drew a benefit from the coining of money: weight was not given for weight, about two per Cent was kept in. This profit was limited, partly by the fear of encouraging forgers, partly by the fear of discouraging the accumulation of money by preventing the possessors of gold in bullion from bringing it to the mint.

In my view, it is not the latter fear which would form an objection against this measure, since on the contrary it would be its motive. With regard to the attraction which it would hold out to un-

authorized coiners, it does not seem to me great enough to constitute a danger.

If the illegal gold money was of the same weight as the legal money (and this might still leave a profit to the coiners) it would not give rise to the suspicions of which a difference in weight is almost always the first cause, and it would even pass without difficulty after it had been recognized as illegal. But as the law ordains the same punishment in the case where the counterfeit money is of equal value to the good as in the case where it is of inferior value, it is clear that nobody would wish to expose himself to this risk for the ordinary rate of profit. If ordinary trade yields 15 per Cent of profit, nobody will embark, for the sake of a gain of 15 per Cent, on a career in which he has before his eyes shame and anguish. Without a large capital this trade could not be carried on with advantage: and the more a large capital is necessary, the less probable it is that a man who possesses the means of living and enriching himself without crime and without danger, would embrace a kind of life which is so criminal and so perilous. In the present state of things, forgery does not involve a large capital and has little extent.

The only reason for recoinage all guineas in such a manner as to make them lighter would be to prevent the loss at present experienced by the government in the case of those which by lack of sufficient attention in the operations of minting are found to have excessive weight and are melted down by individuals. It is with this aim in view that the reduction of the weight of guineas has been recommended by Smith.¹ The profit of this operation would depend on the proportion obtaining between the guineas which have such surplus weight, and the total sum.

According to the statement given by Mr Rose, half of the minting from 1773 to 1798 has consisted in the recoinage of old specie.² This is a great deal. But it is not reasonable to suppose that this recoinage half has been principally composed of over-heavy guineas: it is much more probable that it has been composed of guineas that have become too light, some through use in circulation, others by illegal and clandestine means, either chemical or mechanical.

It is surprising that so simple an observation should not have

¹[*Wealth of Nations*, bk. I, ch. V and bk. IV, ch. VI.]

²[George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures of Great Britain from 1792 to 1799*, 1799, Appendix No. 4.]

occurred to Smith spontaneously: it would have prevented him from deciding in so peremptory a manner in favour of the reduction of the weight of guineas. He would have seen that there was another means, less costly and more certain, of preventing the loss experienced by government through the too heavy guineas: that means is to make the operations of minting more exact than they have been up to the present, and I do not doubt that the remarks of a writer of his fame would have brought into this [kind of] coining more scrupulousness and care than [have been bestowed on it] in the past.

Two reflections struck me when I read this passage in Adam Smith: the one [was] that, considering the perfection of machinery in this country, such an inequality could exist only through gross negligence in this public department, a negligence so great that manufacturers, had they carried on this branch of industry for their own account, could never have fallen into it without noticing it.

The other observation is that, given this imperfection in the operations of minting, it appears very extraordinary that its effects, after they had been pointed out, should not have been set right by the Bank. If individuals find a profit great enough [to induce them] to amass guineas and select those of surplus weight for the crucible, although they run a risk in this illegal operation, how much more must the Bank find its account in making this trial with the same aim in view with so much facility for making it, having all the guineas together in a mass and no risk to run. I do not presume to say what is the present state of things, but I should be inclined to believe that the loss made at the Mint must have ceased since it has been brought to light.

[Chapter 24.] *False Remedies.*

First false remedy: Suppression by law of every species of paper money other than that of the Bank of England.

Objection. This measure is in opposition to the principal aim. It produces general bankruptcy. It makes inevitable, complete and immediate the very catastrophe of which this remedy is presented as a preservative.

The ability to fulfil the mass of pecuniary engagements at a fixed date depends on the fund of money of all kinds which is in existence and which may be put into circulation. To diminish this fund is

to diminish the ability to honour the mass of pecuniary engagements, and if this diminution is carried to a certain degree, a general bankruptcy is the necessary result.

Twice in ten years this calamity was imminent, in 1793 and at the moment of the suspension of the Bank in 1797. At the latter juncture the danger was produced by a deficiency in the number of bank notes in circulation, that is to say, that there was a demand in excess of the quantity of paper in circulation, a deficit of three or at most four millions. By a total suppression of all paper money except that of the Bank of England there would be created a sudden void of eight or ten millions or still more.

Second false remedy : Suppression of all paper money by voluntary associations.

Objection. Opposition to the principal aim. Certainty of leading to bankruptcy.

This measure, as ruinous as the foregoing, has the merit of being almost impossible of execution. The concurrence of a hundred or two hundred persons, with the right intentions and the wrong principles, would suffice to pass a law for the purpose of suppressing paper money. But nothing less than a universal disposition for pecuniary suicide would be necessary to get this measure adopted by the generality of the nation. If the attempt to destroy the credit of paper money by an association were undertaken by a small number of ill disposed and ill instructed persons only, there would at once be formed a counter-association for its support. We have witnessed several associations of the preservative kind, but none of the destructive kind.

Third false remedy : Total suppression by law of the paper of the Bank of England.

Objection. The same as in the two foregoing cases.

The extent of the evil is in this case more [clearly] determined. The amount of the loss is exactly known—16 millions by the last account. To this must be added that part of the paper money of particular banks which has for its support this privileged paper. However, the distinction is purely speculative. The universal panic would make no distinction. The whole edifice of pecuniary credit would collapse under the violence of the shock.

Fourth false remedy : Suppression of the paper of the Bank of England by voluntary association.

Objection. The same as before.

I have shown more than once that the paper of the Bank of England, although it has contributed to the rise of prices, is much less pernicious in this respect than the paper of the private banks, and that it does not involve the same danger of bankruptcy. Yet it is against this Bank that most attacks, and the most violent attacks, are directed. The great crime of the Bank in the eyes of a certain class of persons is its connection with the government. It facilitates the war—a thing necessary or not, desirable or not, according to circumstances. It sustains the constitution—a thing which is of the utmost utility in all circumstances.

The king, as is known, is the stumbling block of all the fools whose folly is almost great enough to necessitate their exclusion from society. The Bank is the stumbling block of fools of another kind, fools less exuberant, but more dangerous.

Shall I say that one of these violent adversaries of the Bank has admitted to me personally that he sees in this warfare no more than an amusement and a game? This game, well understood, would be a general conflict which could perhaps only be extinguished in a sea of blood.

Fifth false remedy: Suppression of the superfluous quantity by the public, i.e. by individual prudence, without association.

Objection. Insufficient and impracticable.

This pretended means is developed in the writings of a respectable author.* After having endeavoured to show the inconveniences of a legal suppression of paper money or of a forced reduction, he adds that this operation would be useless in view of the fact that the public, without intervention of the government, would have it in its power to reduce the superfluous quantity.

The argument, at first sight, is specious: but it implies a deception which it suffices to indicate in order to destroy its force.

The author considers the *public* as a body moved by a single soul, having a common interest, a common mind to comprehend that interest, and following a common incentive. But in this, as in a thousand other respects, the public is composed of individuals who have different interests, various notions concerning these interests, and ideas still more confused and discordant on what the general interest demands, which is not within the grasp of one among ten or twenty thousand. How can it be imagined that this public, this

*[Cf. William] Morgan's *Comparative View [of the Public Finances]*, 1801. Cf. also *An Investigation of Mr Morgan's Comparative View [of the Public Finances]*, by D. Wakefield, 1801.

compound of millions of heads, could conceive the spirit of such a measure and accept it in a uniform manner?

As this paper has entered into circulation, the conclusion is unavoidable that there has been some incentive to receive it on the part of those who have received it. The author imagines that all will be disposed to sacrifice the advantage which they have found in view of the public interest, i.e. of the danger resulting from the excess of this paper. But apart from the fact that this sacrifice is not probable, it is still less so when the individual tempted to make it would expose himself to a sensible inconvenience without producing any effect, unless he were certain to be followed by everybody. Only an association could arrange concerted action: an association could attain the proposed end; it could even attain it to the point of instantly destroying the credit of the paper and producing bankruptcy.

What is lacking in reason in this writing is abundantly supplied by passion and oratory—"confidence in the public, wisdom of the public, disinterestedness of the public"—here is what makes the fortune of a popular address: it is the public who should judge for themselves, it is not to the government that recourse should be had; it does not need the government to stop the abuse of paper money, the wisdom of the public is the remedy for all evils. All this is very well for the eloquence of the tribunes, but it is not the way to reason in political economy.

Sixth false remedy: Support the paper money of the provincial banks by means of voluntary associations.

Objection. The means is to a certain extent impracticable.

It is possible to support a given bank on a certain occasion or for a particular time. It cannot be done for any length of time, unless by stipulating the quantity of paper which it may put into circulation. For if there were no limitation, the bank which had this kind of support would not set any limit to the issue of its paper: and if this were a means of supporting the banks to which this help was accorded, it would also be a means of bringing down all those to which it was refused.

An association has sustained the credit of the Bank of England: but the circumstances are very different. This great company is subjected to the guidance and to the control of Parliament; its affairs are sufficiently known; the trust bestowed on it is firmly based; the publicity of its operations, or at least of their results, is its restraint.

Seventh false remedy: Suppression of £1 and £2 notes by re-establishing the restrictions which have been suspended.

Objections. The means is uncertain in its operation, insufficient in its effects, and dangerous with regard to pecuniary credit.

The suppression of small paper could not fail to produce a demand beyond what is usual, an urgent and continual demand, for minted money with the object of exchange, in view of the fact that paper of large denominations is not suitable for the common transactions of daily needs and daily affairs. As the small bank notes do the ordinary service, the demand for minted money is not considerable, and yet the scarcity of cash is a generally recognized fact. If the demand for cash happened to encrease, its scarcity would become much more noticeable. The greatest number of people would not fail to attribute this fact to distrust of the paper. This real or seeming distrust would soon become contagious: the appearance alone would suffice to produce the reality. Everybody standing in need of minted money would carry his paper to the banks: and as there does not exist a fund sufficiently strong in cash to exchange it, they would be reduced to stopping their payments, and bankruptcy would perhaps be inevitable.

I insist the more on the danger of this remedy as it offers itself quite naturally to the mind and appears at a first glance harmless. It is owing to the extension given to small paper that the great paper has reached the excess in which we see it today; remove the cause, the effect will cease. Yes, perhaps, if the suppression of the small paper could re-establish the proportion which existed between paper and cash at the time when small paper was not permitted. But that is not possible. Owing to the small notes, the great paper has been multiplied to the point of making metallic money very scarce because of the quantity which it was necessary to impound in order to form the security funds. This reduction of the amount of cash in circulation is not very noticeable because the small notes have taken its place: but if this resource were removed, the inconvenience would become extreme.

But, it will be said, the evil which you show presupposes sudden suppression: the suppression which we recommend should operate gradually: it consists in forbidding for the future the issue of small notes, leaving in existence those which are today in circulation. Their quantity will slowly diminish in the measure in which they are used up and lost. The bankers, no longer able to issue them,

would themselves limit the issue of notes of large denominations: they know by experience the proportion which ought to exist between small and great paper: in proportion as the former became scarcer they would feel the necessity of reducing the latter because if they continued to issue the same quantity of large paper without having the wherewithal to exchange it into small notes or cash, they would expose themselves to an obvious danger.

I admit, to a certain point, the truth of this observation. A suppression, thus graduated, would not have the same inconveniences as a total and sudden suppression. Of all indirect expedients for the limitation of the issue of great paper, this is perhaps the best, or rather the least bad: yet I am far from regarding it as certain and free from danger.

The prudent bankers will limit the issue of their great paper; but this prudence does not belong to all, and the evil of the measure is that it exposes the most circumspect to suffer from the temerity of others. The latter will continue with their issues: lacking a sufficient quantity of small notes of their own creation, they will make use in payment of the notes of the neighbouring banks, and it will naturally follow that these small notes will be carried more rapidly to these banks in order to be exchanged into cash, and that the multiplicity and suddenness of these demands may exceed their means.

The restriction relative to small notes was suspended in a situation where the dearth of metallic money was very great. This situation may pass: cash may become more abundant. But, putting aside all temporary causes of scarcity, it seems to me that the permanent cause is greater at present than it has ever been. This permanent cause is the increased quantity of great paper. It is the great paper which ought to be reduced. The means which I propose to bring about this reduction is infallible in its effects: why should preference be given to an indirect means which is evidently precarious, and dangerous for the general credit of paper money?

Eighth false remedy: Revocation of the Act which has suspended payments in specie at the Bank.

Objection. The measure is unable to reduce the excess of paper, susceptible of some danger with regard to bankruptcy, and is useless in the present state of credit.

I am inclined to believe that the revocation of the Act of suspension would not involve any danger, but no more would its

continuance. As for the reduction of paper money, it must not be expected of this measure.

All that can be said is restricted to a *perhaps*: the directors would not issue the same quantity of paper because, *perhaps*, they would be afraid to do so. *Perhaps*, however, they would not have this fear, and this latter *perhaps* is more in conformity with experience.

It is in their interest to continue their issues until they arrive at the point where *excess* begins, in the meaning which they attach to the word.

Two indications present themselves for the determination of this point, the one adapted to the state of things during the suspension, the other adapted to the state of things after it will have ceased. The *test* or the sign of excess during the suspension is the appearance of a discount on Bank paper. The *test* or the sign of excess when the payments have been taken up again, is the demand for gold in exchange for notes of £1.

The only reason for prolonging the Act of suspension is *security*: but this reason seems conclusive. Re-establish the right of demanding payment in gold, and it is always possible that it may be exercised, and that it may be exercised to the point at which fulfilment of the engagements becomes physically impossible. Then paper would lose its value. Under the Act of suspension, this evil cannot take place. Hence there is a danger, however feeble it may be; a danger to which one must not expose oneself gratuitously. In the actual state of things, paper circulates without discount, and it even circulates in such a quantity that there is more reason to complain of excess than of dearth. What could be gained by the revocation of the Act of suspension? The paper is at par; it cannot go any higher; it cannot carry a premium; and as for the quantity in circulation, you do not desire that it should be greater than it is; that would be to encrease the excess. Do you wish then that it should be less? Be consistent. Your declared aim in demanding the revocation of the suspension, is to strengthen the credit of the paper. But the more credit the paper has, the more will its quantity be encreased.

With regard to the rise in prices, it is an evil which runs its course and which will always go on encreasing until the legislative authority see fit to set bounds to it. Is it the business of the bankers to stop it? Will they make a sacrifice of their immediate interest for the sake of a public interest of this kind? Are they more called

than others to this sort of sacrifice? If the Bank of England reduced its paper with this motive, would this help to restrain the provincial banks? The abandonment of this profit would be of use only to their rivals: it would serve to give them the monopoly of it.

All that can be expected in this respect is that the Bank, by a wise foresight of the evils which the excess of paper may produce, should wish Parliament to intervene to put just limits upon it: it is not natural that it should wish for a legal restriction of its issues, nor that it should hope to be granted an unlimited right while the right of the provincial banks is limited: but it could approve of a restriction which would fall on it as on all the other banks; it is well aware that under this system, it would always have a great advantage by the old standing of its credit and the extent of its business.

Without the intervention of Parliament, individual interest is as favourable to the excess as it can be. Each banker draws [?] his profit in proportion to what he contributes to the excess: in restraining himself he sacrifices all that he could have gained, and what he adds thereby to his own security is almost nothing, as long as he may be engulfed in the catastrophe brought about by the temerity of others.

Was it correct to order the Bank to suspend its payments? This is only a speculative question, but its discussion may shed some light on the subject which we are investigating.

From the point of view of pure theory, nothing is more absurd than the expedient of the suspension. By the lack of pecuniary means, the fulfilment of the obligation becomes uncertain. Wherein does the remedy consist? In making it impossible. The worst that could happen without the remedy, is precisely the state of things which the remedy has established with one stroke.

Without the remedy, the value of a Bank Note was more or less precarious—but apply the remedy, and the value is destroyed. The value of a £10 Note depended exclusively on the chance it gave of obtaining a quantity of the precious metals to the amount of that promise, a chance which through a long experience had become tantamount to a certitude. What has the Act done with a view to strengthening that chance? It has destroyed it altogether and substituted for it the certitude of not receiving anything.

Thus much for pure theory. But a mind accustomed to judge the result of a measure according to the disposition of the public

and knowledge of the general interest, could foresee the success of this [Act].

The deficit, although it did not yet exist, could be regarded as inevitable. Consequently there was nothing to be lost in trying the experiment: there was much to be gained.

The insolvency of the Bank could be the result of an *abuse*. It was possible that it had based on the funds of cash which it had received from its various creditors or depositors a disproportionate issue of paper, and that it had not the wherewithal to fulfil its obligations. It was also possible that its insolvency was due to passing circumstances, that it had funds superior to its debts though not realizable, and that its future responsibility appeared sufficient and its past conduct free from reproach.

This was the subject of the public enquiry by the two Houses of Parliament; it was seen and stated that the insolvency at that time arose from temporary causes only, and the suspension of payment, ordered by the Privy Council, was confirmed and legalized for a limited period.

The success of the experiment depended on the force of habit and the disposition of the public mind. It would not have succeeded with a Bank of former days, with a Bank acting under a government accustomed to violating the public faith, with a Bank of King [?] Charles or a discount bank. By the custom of a century, the idea of intrinsic value had become so strongly associated in the mind with the idea of this paper that it was not in the power of the experiment to dissolve the association. Everybody knew that this paper was no more than a promise: but so great was the triumph of habit and of trust over reason, that the promise continued to be received in exchange without any diminution of value, even after the fulfilment of the promise had become impossible.

I do not say that the metaphysical association of these ideas had alone sufficed to produce this effect or to render it durable. It was necessary to add a public association of *wills* to act in conformity with this disposition of mind. The exchangeable value of gold and silver itself has no other efficient cause than the general disposition to give and to receive a certain quantity of the precious metals for a certain quantity of real values: and in a community where promises had through long experience acquired a sacred character, and where national prosperity rested on public faith, there was no difficulty in finding in the individuals taken separately a disposition

to unite in a positive contract. All that had pecuniary power in the most opulent Metropolis of Europe joined together on the spot and with perfect unanimity in order to give a conventional value, equal to the original value, to this paper which was no longer worth anything.

Whatever may have been the degree of prudence or imprudence of that measure, it could not be denied that the result of it was fortunate from several points of view. It has shown the pecuniary resources of Great Britain in a more advantageous light than anything that could have been imagined for that purpose. It has demonstrated that it was not in the power even of bankruptcy, at least of the bankruptcy of the greatest commercial establishment that has ever existed in the world, to shake the might of her credit. It has proved that England had within herself, in the mutual confidence of individuals, a resource against all calamities; that all the efforts of her enemies, that even an invasion, could not upset the edifice of her prosperity; and that in a word she was proof against all adversities, with the one exception of internal convulsions which may destroy pecuniary credit and engulf in complete ruin all establishments which rest on that foundation.

Ninth false remedy: Tax or encrease of the burdens already imposed on paper money, with the object of limiting its quantity to the desired degree.

Objection. The measure is inefficacious, or at least insufficient and uncertain, as to the quantity of paper which it would draw out of circulation, and the quantity remaining therein.

The purpose of the tax could be to operate as a prohibition: if it were carried to a certain point, it could force the bankers to relinquish their trade. That would happen if it totally absorbed their profits, or merely reduced them beneath what could be earned from the same capital in other branches. But unless it went so far, the tax would not, it seems to me, have any effect in reducing the issue of paper money.

Whether there be a tax or whether there be none, the object of the banker is to issue as much paper money as he can with security, i.e. with sufficient assurance with regard to his ability to fulfil his engagements. He succeeds in proportion to the disposition he finds on the part of others, firstly to receive his paper, and secondly to keep it in circulation without sending it in to be changed into cash. The tax does not produce any effect on the dispositions either of

the banker or of his creditors, and yet it is this disposition alone, it is exclusively on credit that the quantity of paper in circulation depends.

Suppose the tax to be 1 per Cent on his principal, his paper in circulation, on the average for a year, £30,000, his security fund a third of that sum, £10,000. Before the tax, the profit from the interest of the £30,000 which he lends out, is £1500, the loss on the interest of the £10,000 which he keeps in reserve, is £500, the net profit (neglecting the expences of the bank) is £1000. After the tax, all would remain on the same footing as before, except the amount of the tax, which at 1 per Cent would be £300; this would reduce the profit to [£]700, but it would not have any effect in reducing the quantity of paper money.

Tenth false remedy: Obligation on the part of those who issue paper money to furnish sufficient securities for the fulfilment of their engagements.

Objection. The measure is insufficient for the object in view. I have included this means among those which I employ to avoid the inconveniences of paper money. I place it here among the false remedies only in so far as the idea would be to apply it alone, to the exclusion of those measures which ought to accompany it in order to render it competent and effective.

This measure alone could suffice if bankruptcy were the only evil to be feared. But it would have hardly any efficacy against the rise of prices. As long as there is a considerable profit to be made by the issue of paper money, rich and solvent persons will not be lacking who embark on that trade, and who, by multiplying the means of circulation, will produce a general encrease in prices at the expence of the holders of fixed revenues.

Eleventh false remedy: The tax on paper money, in connection with the obligation of furnishing security, as above.

Objections and observations. The tax being inefficacious, and the security inadequate, the combination of the two means cannot but be insufficient.

Twelfth false remedy: Peace.

Objection. [This event] will not lead to the [desired] end and is more likely to encrease the evil, the excess of paper money, than to prevent it.

For some time the country has, in spite of its prosperity, felt oppressed by a triple burden, excess of money, war, and bad

harvests. Each of these causes has contributed to the rise of prices, but it is necessary to distinguish clearly their respective shares in producing that result, so as not to take as a complete cure a remedy which would apply only to one of these evils, without doing anything for the two others.

Peace would do nothing to hinder the money already in circulation from encreasing from year to year and producing a new encrease in prices. The return of peace will pour a new quantity of capital into all channels of trade, and will pour it particularly into that branch where the profit offers itself with so much security and ease.

We have seen in another place how the Sinking Fund distributes each year a mass of productive capital the effect of which could be to produce a superabundance of money, if the emigration of men and capital did not offer a natural remedy for this evil.

Thirteenth false remedy: Return of abundance.

Objection. Insufficiency of this means.

By abundance I understand the mean of the annual proportion between seed and produce.

If dearth, without any encrease in the quantity of money, encreases prices, it is not prices in general, but only *certain particular prices* which it encreases. Without encrease of money there cannot be an encrease in prices in general, in their total aggregate, unless it be by taking from capital in order to add to revenue: by borrowing, so to speak, from future years, by using for current expenditure the money which has been put in reserve for the expenditure of the future, there can be added to the ordinary mass of money an extraordinary quantity which may contribute to the rise of all prices.

But ordinarily during a famine, one kind of expenditure is higher, another lower; there are *fewer* victuals, for which *more* is paid; other articles, the demand for which has diminished, have fallen in price, and the general balance may remain almost the same.

Abundance brings back to the former level the habitual enjoyment of the various victuals: but as it does not diminish the quantity of money, it does not reduce the total aggregate of prices.

Abundance remedies particular or occasional dearness of this sort, it does not remedy the progressive dearness caused by the encrease of money.

Fourteenth false remedy: Encrease of the quantity of metallic money in the community in question.

Objection. The measure is more apt to encrease prices than to diminish them. In conjunction with the system of paper money, it is more likely to accelerate bankruptcy than to ward off the danger.

We have already seen that money is the material cause of the encrease of prices.

Sum for sum, metallic money contributes more to that effect than paper. Paper does not encrease prices by more than two thirds of its amount; the effect of the other third being nullified by the equal quantity of metallic money which it causes to be put in reserve for use as its security fund. In the same case, metallic money encreases prices by twice its amount, viz. by constituting a security fund for a triple quantity of paper: the effect of a third being counterbalanced and nullified by an equal quantity of metallic money taken out of circulation and deposited in the security fund.

Apart from that employment, a million in guineas would only be a million: but in the actual system, a million in guineas would be deposited in the coffers of the bankers and serve as a base for a new issue of three millions in paper. The smallness of the quantity of specie in circulation everywhere where paper is abundant, is sufficient proof of that assertion.

[Chapter 25.] *Remedies by way of Compensation.*

Before examining whether there be cases in which compensation is either due or possible for the damage suffered in consequence of the excess of paper money, let us first pass in review the various classes of persons who have suffered that damage in different degrees.

I. Persons not affected by the rise of prices. Proprietors of tithes rendered in kind.

II. Persons whose loss is complete, in so far as during the course of the depretiation they were unable to indemnify themselves by an addition to the quantity.

1. Proprietors of fee farms.
2. Proprietors of quit rents payable for copyholds.
3. Proprietors of rents or annuities on long leases.
4. Proprietors of tithes farmed out for a very long time.
5. Proprietors of government rents in perpetuity or for life.*

*Even in the case of Tontines, the encrease of rents which has taken place through survival, has not compensated for the loss from depretiation of the pecuniary value.

III. Persons whose loss has not been complete because they have been able to indemnify themselves in part.

1. Landed proprietors whose leases are renewable.
2. Proprietors of houses.
3. [Professional men.]

In these cases the indemnity could vary from 0 up to an equivalent of the damage and even go further. As far as houses are concerned, it is rare that the rent is susceptible of a great encrease. The most ordinary case is the case where the rent continually decreases in proportion as the house becomes older, not only through the rise in the costs of repairs, but also through reduction of the price.¹

Capitalists who live on the interest of their money are those who will suffer most by the future depreciation of its value. Their fortunes go on decreasing in two ways, by the rise in prices and by the fall in interest: an inevitable effect of peace, from the superabundance of money, when the government ceases to borrow and when it pours new capital into trade by the payment of the national debt.

In any case, though the damage, great or small, be not susceptible of any indemnity, it is not useless to fix the attention on the extent of the loss. The more it is beyond the power of man to remedy this evil by compensation, the more important it is to strive to prevent it.

The damaged class which is most numerous is the class of day labourers in the country. Here the number of persons affected is so great that supposing the degree of suffering equal, that of all other classes together would be little in comparison.

A depreciation of half the value is a loss which this class could not have endured without compensation: a sort of compensation has consequently taken place in two ways, the one direct, by an encrease in the pecuniary rate of the wages of labour, the other indirect, by an encrease in the charitable help known under the name of *poor rate*. In the latter case, the compensation has been accompanied by the disadvantages and inequalities which it is so difficult to avoid in any system of compensation. The workmen employed by the rich farmer have received a considerable part of their pay at the expence of the small farmer who does not employ labour, and at the expence of all other classes without distinction, from the richest men of property to the smallest artisans, in view of the fact that all are forced to contribute to the poor rate, unless they be themselves among the poor.

¹["*prix primitif*."]

But it is certainly a matter for surprise that in agriculture the price of labour has not encreased in the same proportion as the prices of all the products of the soil. The encrease in demand for all rural commodities has produced the encrease in the price of all these articles: the encrease in these prices has produced the encrease in the profit on their production: the profit, growing with the quantity produced, necessarily tended progressively to multiply these products: but they cannot be multiplied otherwise than by employing a greater number of workmen: and the competition of masters to have more workers was naturally bound to encrease the wages which the latter were disposed to demand and the former to grant.

If then, as is generally agreed, the prices of the products of agriculture have encreased in a greater proportion than the wages of labour, this presents a problem which is as interesting as it is difficult to solve. As it is foreign to the subject treated here, I shall not pursue this investigation.

I shall mention only a single circumstance which may serve to explain it, because I do not remember that it has been observed [before]. This circumstance is the manifold progress which has taken place in the arts of agriculture. Without this progress, double the labour would have been necessary to obtain double the produce, it would have had to be paid in proportion, and the level would have been maintained. But in consequence of this progress, double the labour has not been necessary to obtain double the produce, and this is one of the causes for which the price of this kind of labour has not risen in proportion to that of the products which spring from it.

However that may be, a measure which would stop the encrease of money seems favourable to this class of day labourers, by whom the rise in prices is so keenly felt. Even if it should happen that the price of victuals should come to fall, this would, in an indirect way, help to raise the price of labour: the *power of inertia* exerts considerable influence on wages, especially on the wages of the country labourers: a moderate fall in the prices of the articles necessary for life does not suffice to bring about a proportionable reduction in a class of prices where men are governed by imitation, by habit, and by the difficulty of general agreement among those on whom these prices depend.

With regard to what are called the professions, Army, Navy,

Church, Law, Medicine, and Teaching, one would be inclined to believe that for the most part the value of their revenue will not have been affected by the rise in prices, because as the quantity of money was encreased, they will have encreased their profits in such a way as to cover the loss.

Many distinctions would be necessary to make this proposition correct. 1. It does not apply to functionaries who receive their salaries from the public treasury: the officers of army and navy, persons employed in the various offices of administration, and those holding public offices paid from the Civil List have not been able to encrease their profits in the measure in which their revenue lost its value.

2. With regard to bishops and other ecclesiastics, a distinction must be made. Their revenues, based on tithes and estates, are susceptible of encrease in the measure as the prices of the products of agriculture rise: but they are even in this respect under special disadvantages which would demand for their explication a knowledge of the nature of the various church properties. It suffices to say that with regard to these life holders, every effort on their part to raise the price of their rents experiences a degree of resistance on the part of public opinion which is much stronger than in the case of the hereditary owners.

As for ecclesiastics paid by a fixed rent, they have suffered all the damage of the depretiation, without having any means of indemnifying themselves.*

3. With regard to the professions the emoluments of which depend on a free contract between individual and individual, between him who renders the service and him who receives it—service in the law, in medicine, in teaching, and in the various careers of amusement—the reward is regulated by a principle based on the actual value of money, without regard to its past value, in a word, the price of these services, from those which presuppose most education down to those which demand only physical force, will always be in direct ratio to the demand for these articles and in inverse ratio to the quantity of them offered.

In a word, in these free contracts nothing counts but the present value of money, and its depretiation does not affect them.

*This evil was so fully recognized that an Act of Parliament was passed in 1796 for the relief of vicars. The maximum, which had been fixed at £50 in 1714, was raised to £75. The rate of depretiation thus adopted and taken as a basis was 50 per Cent in the space of 82 years: and this proves the insufficiency of the remedy as the probable depretiation has been 100 per Cent in the space of less than half a century.

Taking things by and large, this cannot be denied : but in this case as in so many others, it happens that the influence of a great general cause is so to speak countermanded or at least much weakened by some cause which is hardly apparent and which can only be exposed through a good deal of attention.

The compensation goes in all these cases the same way as the loss : but it follows with an unequal step, and the damage has already made much progress when the compensation begins.

In 1760, the usual emolument of a doctor was a guinea, and in 1801 it is still at the same rate.

In 1760, the emoluments of lawyers were on the same footing as they are today.*

Private teachers, dancing masters, writing masters, masters of languages &c have still for their emolument a guinea : but this seeming identity does not prove a real one because for that guinea the number of lessons which they give may vary from one to twenty.

In all cases where compensation is not impossible, it is at any rate always delayed ; *sequitur justitia pede claudo*. The evil is attributed to many causes before it is [traced] to the true cause, the depretiation of money : it must be very sensible to produce a definite sensation in the eyes of individuals : and when they have recognized it, they are still far from being disposed to submit to the burden of the compensation.

The legislator has envisaged the principle, but his idea has not been sufficiently clear and distinct to give birth to a uniform and complete system of measures relative to this end. What has been done up to the present concerns only a small number of detached and mutually independent cases, but each of them suffices to show that the principle is recognized, i.e. to show that it is recognized in point of fact that the damage has come from that cause, and in point of opinion that recourse must be had to legislative measures to remedy it.

In this case as in almost all others where the distribution of property and power is concerned, to keep things in the proportion in which they actually are, ought to be, and in general is, the aim of the legislator. His great purpose is to preserve the total mass of expectations as far as is possible from all that may interfere with their course. In comparison with this, encrease of wealth is but a frivolous object. Too rapid an encrease, which overthrows the

*A guinea for the least effort : half a guinea for a simple signature.

established relationships and throws numerous classes into relative impoverishment, is an evil: wisdom consists in preventing and justice in remedying it, as far as the nature of things permits.

Once arrived at a certain proportion the very size of the damage becomes an obstacle to compensation, especially in the cases where the losses of each individual are indeterminate and impossible to distinguish. The greater the evil is, the less is it possible to find a fund sufficient to make it good: those who ought to receive indemnities would be hurt like the others by the weight of taxes intended to provide them.

The only classes who can receive compensation, are those whose revenues are drawn from the public purse, pensioners of the state and public functionaries of all classes, who receive their reward in the shape of fixed revenue.

1. The King, by right of contract.
2. Pensions of superannuated officers, soldiers who have drawn their disablement pensions, and officers' widows.
3. The judges.
4. Various classes of public servants.

I. The King with regard to the Civil List.

At his accession to the Crown in 1760, the King, still young, by a generous impulse towards the nation which he was going to rule, gave up an encreasing for a fixed revenue (£800,000). Fixed in its nominal amount, it was thought to be fixed also in its real amount. It appears that none at any rate of his ministers at that time in the least foresaw the future depreciation of money.

This sum which was then settled as a *competent* and *certain* provision, is today found to be reduced to almost half.

It was not then thought that the sovereign of the country would find himself taxed in an indirect way by the operations and to the profit of a certain number of his subjects, to the point of not having, after 40 years of his reign, more than half of what the representatives of the nation had assigned to him as a competent and certain revenue.

Thus it is that with a people where, through the most fortunate political constitution, the consent of King, Lords and Commons is needed to take the value of a farthing out of the pocket of the meanest individual, it is in the power of every man who can establish

a bank and create paper money, to tax the whole nation, not excepting the King, Lords and Commons, for his individual profit, without needing their consent, and without the possibility of their opposing to him the least resistance. That there results from this an encrease of general wealth, is a point which I do not examine at present, but this indirect power of levying taxes is at any rate a singularity which deserves to be noted.

The public creditors suffer in the same manner and by the same operation: but when they bought their annuities, they knew in advance that this species of property was subject to fluctuations in value, and if they had placed their capitals in trade, they would have suffered the same depretiation. It is not the same in the case of the King. The property which he gave in exchange for this supposedly fixed and certain revenue, has experienced a gradual and considerable encrease, while the revenue has diminished and diminishes from day to day.

If we abandon this simple and positive argument regarding a contract to consider only abstract utility, i.e. the reasons of expediency which should determine the emoluments of Royalty, we should find ourselves in a vast field of political speculation where reason finds no certain principles to set bounds, and where the most contradictory passions would raise contentious claims, on the one hand under the pretext of political liberty, on the other under that of the influence of the Crown.

A principle which is rigorously true is that each office should carry only the salary which is likely to induce the man most capable of fulfilling it to accept it. But it is obvious that in its application this principle is anything but easy to follow. Usage founded on experience is always the first rule to consult.

As for the office of Royalty, it would almost be indecent to set forth in detail all the reasons which should make a nation decide not to put its Head necessarily into a situation where his duties are in opposition to his interests: it is for their own sake, it is for their own security, that they should add to political power a safeguard of fortune and splendour against the temptations to which it might give rise, not to speak of the fact that exterior decoration is one of the bases of the respect of public opinion.

With regard to the part of the Civil List which may be considered as a means of influence, it could be said that its diminution has been compensated by successive accretions. If some of the places

at the nomination of the King have less value than at the commencement of his reign, the number of places depending on him has much encreased through the influence of the war and of taxes. In this respect it could be said that everything has remained in the same state and that in point of influence he has regained on one side what he lost on the other. Without examining here the exactness of this compensation, and supposing it exact, it must always be admitted that in the medley of items of which the Civil List is composed, there are two essential ones, to which this argument is not applicable. These items are

1. The Privy Purse £80,000
2. The expenditure of the Royal Household £

II. Officers, Disabled Soldiers, Widows, Pensioners.

Past services are concerned here: it is a debt of gratitude, a debt paid to persons who, by their age or other circumstances, have no means of indemnifying themselves for the defalcation which they suffer on the small reward the state grants them. Justice, humanity, prudence, all unite to plead in their favour: I say prudence because to reward past services, is to produce future services.

1. Officers on half pay in the navy. Total . . . £
2. Ditto in the army Total . . . £
3. Pensions of disabled soldiers. Total . . . £
4. Pensions of widows and orphans. Total . . . £

III. Judges.

The total of the salaries paid to officers of this class at the accession of the King in 1760, as far as they are subject to the Land Tax, amounted to £

Sum required, by supposition, to make them equal today to what they were then £

Total with the indemnity £

Actual total £

In the course of the present reign this class of salaries has received two augmentations.

The first in 17 amounted to £

The second in 17 obtained with great difficulty and by a majority of only amounted to £

The importance of this function, the necessity of surrounding it with respect, the devotion, the integrity, the reputation, and the education which it demands, the small number of persons capable of filling it, the considerable profits at the bar for the most distinguished advocates from amongst whom the judges are chosen, these considerations should cause an outstanding salary to be attached to this office.

Were I called upon to give an account of the various *items* which might justify the size of the emoluments of this office, I should present the points, in simple language and without embellishments, more or less as follows:

1. To put a judge into the position of keeping up his state with dignity, according to the existing ideas of well being, and with the appearance necessary to command respect . . . £

2. To put him above the danger, and, what is still more important, above the suspicion of allowing himself to be guided by the influence of corrupting motives . . . £

3. To indemnify him for the sacrifice he has made in renouncing the defence of right and wrong indifferently, i.e. abandoning his profession of advocate, in order to give himself exclusively to the service of justice . . . £

This picture presents the whole of the reasons which can justify the size of the salary in the eyes of the taxpayers. It has not the colours and the brilliance which it would have received from the brush of Burke, but it is not less clear, not less striking, for being more simple.

As the same sum serves equally to fulfil these three ends, it is not necessary to divide it into three different [payments]: the greatest suffices for all.

Is there in society a more important use of money than this? Is there a single one where an economical reduction would show more pettiness of view, more ignorance of the principles of public welfare?

IV. Various Public Officers.

Those actually in office are considered here. The comparison of the salaries in 1760 and in 1800 is easy according to the facts established above.

1. Civil servants of the superior grades, where extraordinary emoluments are granted by reason of the pre-eminence of the service. Ambassadors. Ministers.

2. [Civil servants of the lower grades.]

The compensation may have different degrees.

1. Complete compensation would consist in giving in the future a reward equal to what it was at the commencement of this period, with a proportional supplement for the intermediate years, and corresponding interest for each year.

2. An additional supplement for the future from the time the law is enacted without regard to the past.

3. An additional supplement for the future in a proportion inferior to complete compensation.

As for the first degree, full and entire compensation, the mind feels inclined to reject it without even looking into the reasons. However, if an innocent party has been hurt, justice demands that it be replaced, as far as possible, in the situation in which it was before it received the injury. This theory is incontestable at any rate in criminal cases.

It is true that in this case there is no crime: the suffering has been the result of a *general error*; a crime produces alarm: an error does not; and as restitution could not be made but by measures very onerous to society, the *veto* of instinct on this degree of compensation is confirmed by reason itself.

What lessens the regret that must be felt in leaving an evil without reparation, is that this is not a case of disappointed expectation. Those who have suffered the loss have suffered it as if [it had been] due to the ordinary course of nature: they have suffered it slowly and gradually: they have known, when they received these various places, that they were subject to this kind of defalcation: they have got used to it; the evil divides itself into a multitude of small sensations which they do not clearly attribute to its true cause, and the compensation, being unexpected, would appear to them in the shape of a positive and unhopèd-for gain.

It would be different with the tax which would have to be levied to provide for these compensations. Each part of this imposition would be so much constraint, and would produce the evil of disappointed expectation.

These considerations apply also to compensation for the future. They apply, however, with less force, because the reduction [of revenue] which is felt each year is a new and distinct evil unmitigated by habit.

Whatever the system of compensation that might be adopted, there would always remain some arbitrariness.

SUPPLEMENT. THE EXTENT OF THE RISE OF PRICES [AND OF THE
LOSSES AND GAINS CONNECTED WITH IT]

The encrease in prices in England in the last forty years of the past century is an important fact in political economy: the object of this publication is to examine its causes, to calculate its effects, good and bad, and to look for its remedies, if it is proved that the evil is greater than the good. But above all, the facts themselves must be stated, and the documents verified, by which they can be established.

This investigation is bound up with considerable difficulties.

The amount of the rise between 1760 and 1800 would be perfectly known under the following suppositions.

1. If the prices were known which were given at these two points of time respectively for the various articles in question, and at the same time the quantities and qualities of these articles.

2. If to that knowledge were added the knowledge of the quantity of money of all kinds in circulation for these respective years, and the number of times that the mass of money changed hands in the course of these two years.

This evidence is impossible to obtain: the use, and the only use, of mentioning it is to present a rule by which we shall estimate the comparative exactitude and sufficiency of the information, such as it is, which we shall be able to procure.

As all documents in existence are imperfect and insufficient in the extreme, it will be good to examine what the documents are which could be obtained through the authority of the government if it ordered extracts from and comparative investigations into the prices of various years.

There is no means of throwing light on this subject without giving samples: i.e. without taking particular prices to serve as instances of the prices in general.

Of the samples which it has been possible to procure up to the present moment, the quantities of the various articles and the sums of money are given jointly; in a word, they are memoranda of prices for articles of a certain *sort*, at a certain period of *time*, and in a certain *place*.

Of all samples the most useful in this view are provisions, and among provisions grain, because of all objects of consumption these are the most important in value in comparison of the rest.

Provisions are the better adapted to this purpose, as the proportion of this kind of expenditure to all others taken together is greater in the case of the poor, who compose the large mass of the community, than in the case of the rich. As expenditure on provisions is the best example which can be taken of the expenditure of the community, the poor classes are the best example that can be taken within the community if we want to judge its expenditure.

Among provisions those which are cheapest and consequently most in use within the most numerous classes, are the ones which vary least from season to season and they should have preference in the estimation of prices in general: butcher's meat, butter, cheese and milk are preferable from this point of view because they vary less in the course of the year than fish, poultry, game and garden vegetables.

Tables of prices in public establishments will be preferable to tables of prices according to account books of private families. In a private family the indications will be subject to great uncertainty by reason of the various circumstances which cause the price of the articles to vary, such as the quality of the meat, the situation of the market, the intelligence of the buyer &c. There is more uniformity in all these respects in a public establishment.

As it is impossible, without the intervention of the government, to obtain tables of prices for all the provinces of the Kingdom, we must be satisfied with partial statements from one place or another: now the partial statement of prices will be the better adapted for the purpose the more populous the place whence they are drawn. For this reason the Metropolis, which contains a twelfth or a thirteenth of the population, is more appropriate to our end than any other portion of the Kingdom.

The price given for a certain article by a buyer at a given place and on a given day can be considered as a sample of the price given for articles of the same sort by all buyers at the same place and on the same day unless there are express indications to the contrary.

In the same way, the totality of the prices on the same day may be regarded as a sample of the prices of the whole year for the same article and at the same place.

In the same way any difference from year to year between the price in the remotest and in the most recent year may, in the case of a single article, be regarded as a sample of the difference between all other articles, with the exceptions which the nature of the subject indicates.

Now it is evident that if we thus take a single purchase as an indication of purchases in general, the chances in favour of error are very numerous, and the chances in favour of exactitude very small.

All other things being equal, the chances for exactitude will be the greater, the greater the number of purchases taken into consideration.

But in order to be true, this supposes that the examples are taken in equal number from each field, i.e. for each of the years which are compared.

A circumstance too important to be omitted, and which cannot be regarded without regret, is the degree of falsification to which all public registers of prices are exposed when they are kept, in consequence of a law, to serve as a basis for some premium or some tax. For instance, if a profit can be obtained by making the price rise above a certain middle line, nothing is easier among a certain number of persons who have a mutual understanding than to produce an artificial rise above that line, either by pretended purchases or even by real ones.

Among the documents which I have been able to obtain, there is one which unites as many marks of exactitude and utility as a single sample can possibly contain. I am speaking of the table given under the name of the *Table of prices of Bedlam*. It includes the prices of all the kinds of provisions consumed within that hospital during the abovementioned period of forty years.

The first table of this kind which has come to my knowledge, and which was worked out to represent the encrease of prices or the depretiation of money in relation to the mass of saleable articles, was the work of Sir George Shuckburgh Evelyn,¹ printed in the *Philosophical Transactions* for 1798 and from thence in Nicholson's *Journal* for the same year. It is the fruit of considerable labour combined with much sagacity. In this table the rate of depretiation between the two points of time under comparison is not quite as great: but as it had a purely speculative object, and as the author, surveying the whole field of history, has given only rapid and superficial attention to that particular period, his table has not the same importance for my purpose as the one of which I have just spoken.

Fifty per Cent is the rate established by the interesting document

¹[Misspelt by Dumont.]

of the hospital referred to. Fifty per Cent is also the rate laid down as the probable rate by Dr Blane in an anonymous letter to L[or]d Spencer: a work which would have done honour to the most distinguished name in political economy.¹

This agreement is the more striking, as the object of that writing was not to spread alarm among the public, but on the contrary to calm them and to reconcile their minds as much as possible to the difficulties of a crisis fraught with danger.

The document of Bedlam seems to me at least equal in value to the one which serves as basis for the transactions which are most interesting to a great number of individuals, the calculations according to which annuities are generally regulated. The basis of that calculation is a series of mortality lists of a provincial town of medium size, the town of Northampton. The mortality rate of that single town has been accepted as affording² a sufficiently correct basis for assessing the calculation of the fortune, and the whole fortune, of a great multitude of individuals. The societies for the benefit of widows, or others representative of deceased persons, the Equitable Assurance Company, the Friendly Societies, at least for the most part, and many others, base their contracts and their engagements entirely on these mortality tables.

Still, this document, satisfactory as it seems to me in many respects, would not be satisfactory enough to serve as the foundation for any legislative operation. All the positive use I should be inclined to make of it would be to justify the demand of a parliamentary investigation into the variations of prices in the last forty years of the past century. All an individual can obtain by the most unremitting enquiries and researches is far from sufficient for the absolute clarification of points of fact. The government alone has means of information which, if applied, could furnish all the necessary light, and the private document which I have the good fortune to give to the public, seems to me sufficient to induce Parliament to order a more detailed and more general enquiry.

An estimate of the amount of the rise in prices can be achieved in two ways.

1. By direct evidence, taking the tables of prices from period to period and comparing them with each other (*a posteriori*).

¹[Cf. *Inquiry into the Causes and Remedies of the late and present Scarcity and High Price of Provisions, in a letter to Earl Spencer*, 1800, p. 39. Author Sir Gilbert Blane, Bart., M.D.]

²["... a paru donner une base assez correcte, ..."]

2. By indirect or argumentative evidence, i.e. by conclusions drawn from the additions known or presumed to have been made to the mass of money in a given space of time, compared with the additions known or presumed to have been made to the mass of saleable things in the same space of time (*a priori*).

These two sources of information are very defective: the results are proportionably uncertain: yet by supplying what is lacking in each of these methods by the light obtained from their combination it is possible to reason with sufficient exactitude.

The mass of money existing in a given time may be considered, as regards its various uses, as divided into five parts.

1. The first is employed in the expenditure of revenue and serves to determine the definitive prices of the various articles on which that expenditure of revenue is made.*

2. The second is employed in the payment of direct taxes.

3. The third is employed by the productive class in productive expenditure and serves to determine the preliminary prices of the various articles of which productive expenditure is composed.

4. The fourth is employed for the purchase of estates, houses, government annuities and all other sources of permanent income, and serves to constitute the prices of the objects which furnish rents.

5. The fifth is employed as a reserve fund, which remains in the same hands and consequently has no influence on the formation of prices.

This fifth division comprises not only the money kept in reserve by individuals, but also the money impounded by bankers which forms their security fund.

If, in the course of a year, the same sum is used more than once for the purchase of the respective articles enumerated above, its power and its effect in determining the prices of these articles, and

*It is said that money is *spent* when it is employed for the purchase of articles destined for consumption. It would be an error to believe that the fund of saleable goods receives a permanent diminution by the quantity of things consumed. The individual articles have been consumed, but the money employed in their purchase has passed, through a more or less extended chain, into the hands of those who use it for an at least equal reproduction of like articles. The money spent on consumption has therefore not the effect of diminishing the mass of national wealth in existence at the end of the year: it merely does not add anything to it. If that expenditure diminished the mass of national wealth, it would be exhausted in a few years, and indigence would encrease continually.

Money can contribute to the production of saleable goods only when it is spent. Things are forthcoming only through labour: labour is forthcoming only when it is paid. Money which remains in the same hands during the course of a year adds nothing to labour, and consequently nothing to the mass of saleable goods.

in raising them, will be in proportion to the number of times which that sum has entered into circulation.

This power, attributable to a piece of money in respect of its effect in trade, is analogous to what philosophers call the *momentum* of a body, when they consider its physical effects. The momentum of a body in motion is as its weight multiplied by its velocity: the momentum or the power of a guinea in circulation is as its value in trade multiplied by the number of purchases to which it contributes.

It is by means of the banks that the mass of money existing in a country receives such an encrease of momentum or velocity. The banker who receives the money from those who deposit it with him, and lends part of it to those who wish to borrow it, causes it to circulate through a greater number of hands than it would have done if each proprietor had kept it in reserve in his coffers.

It is not the total mass of money deposited with the bankers which receives this encrease of velocity: it is the mass of that money *minus* the part which the bankers keep in reserve to form their security fund.

New money may, as we have already seen, be introduced either in a commercial way, or in a non-commercial way.

The money which is introduced in a non-commercial way adds nothing to the mass of wealth: its only effect is to add to the mass of prices (i.e. of the prices affecting revenue).

The money introduced in a commercial way encreases the aggregate of prices during the year by its whole amount, as in the first case: but from that encrease in prices must be deducted a sum proportionate to the addition which it causes to be made in the mass of saleable things by which the prices are affected.

Thus the addition made to the totality of prices by an introduction of new money in a non-commercial way is, without deduction, as the quantity of this new money is to the amount of the original mass into which it is introduced. If for instance the new fund is $\frac{1}{10}$ of the old fund, the addition made to prices will be as $10 + 1$ to 10.

The addition made to the totality of prices by a quantity of new money introduced in a commercial way will not simply be as the amount of the new fund to the old fund, but as this amount *minus* the part which has been used to determine the prices of the new saleable articles produced in the same time by the productive employment of this new money.

If the addition made to the mass of saleable goods by the

productive employment of this new capital is supposed to be equal to the ordinary profit of capital, i.e. 15 per Cent, it is 15 per Cent of the amount of this new capital which must be deducted from the amount of what would have been added to the mass of prices by the introduction of the new capital.

But this 15 per Cent must be taken into account only at the first application of the new capital, because after its first disbursement, which is devoted entirely to production, the new fund will divide itself between productive and consumptive expenditure in the proportion obtaining between these two kinds of expenditure.

Hence if the proportion between the quantity of money and the quantity of revenue is as 1 to 3, or in other words, if to constitute the whole revenue each piece of money must pass through three different hands in the course of a year, it is not 15 per Cent which must be deducted from the mass of the new fund, but only 5 per Cent.

If the new fund is $\frac{1}{10}$ of the original fund, the new total of prices will be, not 10 as $10 + 1 - 0,15^1 = 10,85$ to 10, but as $10 + 1 - 0,[0]5 = 10,95$ to 10.

The deduction thus made in the first year may be considered as necessarily taking place in all following years, because as long as the additional fund is employed in the same way it produces the same profit.

If the total amount of money were equal to the total mass of revenue, the depretiation of money by an addition of new means of circulation would be simply proportionate to the money added. This depretiation would always go on as long as it was not compensated by an addition of an equal amount to the mass of saleable goods.

But if the total amount of money, instead of being equal to the total of revenue, is assumed to be only a third, then each £1 added to the mass of money would produce a rise in prices of three times its amount, i.e. of £3 per year, as long as there was not a proportional compensation in the mass of saleable goods.

This being so, for each million of new money thus introduced, an annual tax of three millions is imposed.

But although a tax is imposed to the amount of three millions, it must not be assumed that the whole community suffers a loss to the amount of that sum. It is none the richer for the introduction of the new money, but it is none the poorer. The effect of the

¹[The MS in fact reads “-1,5”.]

operation is a revolution in property, but not a destruction of property. For the community taken as a whole, there is no more loss than if each year three millions were levied in taxes and added to the list of pensions. It is only on those who have *fixed* revenues and who do not share in the new encrease that the virtual tax of three millions falls with all its weight. In the case of all other individuals, it presses with a more or less diminished weight, or is even converted into gain, according to the part which each individual may receive of the pecuniary addition.

But if this revolution does not imply any loss of wealth, it implies a loss, a diminution of happiness. The loss, where it falls, is felt with all its force, the compensation, for those who receive it, is hardly sensible.¹

Such being the presumed rate of that indirect tax on the amount of the national revenue which results from an addition to the mass of money, let us follow its effects on the particular masses of fixed revenues which cannot receive any addition from the same source.

In the course of the year 1800, the addition made to the total amount of notes of the Bank of England has been,² say, in round figures £1,500,000

The addition made to the total amount of the paper of the various banks of the Kingdom appears³ to have been £1,500,000

Total £3,000,000

From these two sums must be deducted the money which is withdrawn from circulation and put into reserve to constitute the security funds attached by the different banks to their different issues.

Let us suppose that on the average this fund is a third of the total of the issues £1,000,000

¹[The text continues: "*Celui qui souffre dans son revenue par la dépréciation de l'argent rapporte probablement le mal à sa véritable source et la sent dans toute sa rigueur &c.*" Then come the words: "*Ceci est ailleurs.*" Dumont suppressed the rest of the chapter to avoid repetition.]

²[The MS in fact reads: "... the addition . . . has been, according to the accounts, exactly £1, 4" but the *Digest of the Evidence on the Bank Charter*, published in 1833, gives the average amount of Bank of England notes in circulation in the quarter ending Dec. 31, 1800, as £15,491,780 and in the quarter ending Dec. 31, 1799, as £13,776,160, so that the difference would come to £1,715,620.]

³["... *paroît d'après des bases qu'on trouvera dans l'appendix.*..." The MS contains no appendix of this kind.]

This sum deducted from the amount of the issues, leaves £2,000,000 for the encrease of money.

Addition made hereby to the total of the revenue, taking it as above at three times the total of money £6,000,000

This added to [£]216,000,000, the presumed amount of national revenue before the addition, gives after the addition an amount of £222,000,000

The amount added is to the pre-existing sum as 1 to 36.

Consequently each particular mass of revenue, to remain of the same value after the addition as before, should receive a proportionable addition, i.e. an augmentation equal to $\frac{1}{36}$ th of its former amount.

Supposing that it does not receive such an addition, it will suffer a [corresponding] defalcation¹ of its real value.

The rate of the indirect tax to which it will have been submitted in the course of that year will be [in proportion to that defalcation].

If an equal addition is made year after year, in the course of 36 years, the pecuniary amount of the national revenue will be increased in the proportion of 2 to 1, regardless of the encrease in real wealth or in the mass of saleable things which will have resulted from that encrease of money.

The amount of this indirect tax at the end of the period of 36 years will thus be 50 per Cent.

At that rate, the amount of this tax levied by the bankers on the possessors of fixed revenues will be in the seventh year (1806) equal to the amount of the tax of 10 per Cent on the revenue levied for the benefit of the whole public, taking it at its maximum.

According to a report given in the Committees of the Lords and Commons in 1797 on the suspension of the Bank, it appears that the circulating paper of a single banking house amounted to £200,000.

This, making a deduction of a third for the security fund, would leave an addition made to the mass of money within the year of £133,333.

This amount, though the highest of which mention is made in the report, is not presented by reason of its size nor given as the most considerable: and as that was a period when the paper of the provincial banks had just suffered a very great depression, it is natural to conclude that today when credit is much greater, there

¹[The MS reads "of $\frac{1}{76}$. . .".]

are several houses which have greater sums in issue. Let us suppose for the sake of round figures, that the total amount in the case of a given banker has been, after deducting the security fund, £150,000. Taking 400 as the number of provincial bankers, and assuming that the average amount of paper kept by them in circulation for their particular expences be £500, this gives us, as the total of money encreased in a non-commercial way, an issue in any given year of £200,000.
 And as addition made hereby to the total of national revenue,
 £200,000 \times 3 £600,000.
 And as the indirect tax imposed on the whole community for the individual profit of these traders in the year 1800
 $\frac{1}{360}$ per Cent.

The quantum of this indirect tax given, a mass of reflections on a variety of objects present themselves. 1. The classes of persons on whom this tax falls with particular rigour. 2. The profit gathered by the imposers of this tax. 3. The advantages which may operate in compensation for this burden, i.e. the profit of government with regard to the price of Funds and to the terms of public loans, and the profit to the community in general in relation to the addition resulting to real wealth.

We have just by approximation evaluated the loss occasioned by this indirect tax to those who carry its burden: let us now seek to estimate the profit which results, first to the individuals who impose it and who have the immediate benefit of it, and then to the community in general.

In the transactions of the bankers of London, the banker receives 5 per Cent on all he lends out, and this amount is from all the money deposited in his hands *minus* what he keeps in reserve as his security fund. He pays no interest for the money deposited with him. The provincial bankers have 5 per Cent from all the paper which they put into circulation.

On this basis the banker imposes on the community for each £5 of profit an indirect tax of £300, viz. £100 added to the mass of money multiplied by 3, the number of times which that mass passes from hand to hand to constitute the mass of revenue.

But for a considerable, and even for the major, portion of the money deposited in their hands, the provincial bankers pay a rate of interest of 3 per Cent: they meet drafts with their own money in exchange for the money and the notes of the Bank of England

which they have borrowed at these terms, or received in deposit. In this case they pay that interest of 3 per Cent on the money of which their security fund is composed. Hence the profit of 5 per Cent diminishes in proportion as their security fund is greater in relation to the issue of their paper.

1. If for instance the total of their issue is not greater than the total of their security fund, the profit will be reduced from 5 per Cent to 2 per Cent: and under this supposition, there will be no indirect tax, as in the case of which we have just spoken above, unless it be by the addition made to the money in circulation of a sum equal to the total amount of the money deposited with them.

2. If the amount of paper issued was three times the amount of the money received in deposit and reserved for the security fund, if for each £100 received in cash £200 in paper were put into circulation, then for each £100 borrowed at 3 per Cent there would be £200 lent out at 5 per Cent: and in this case, the net profit would be £7: i.e. that for each £100 of paper in circulation, the profit would be $3\frac{1}{2}$ per Cent.

In this case, as there would be £200 added to the circulation for each £100 put in reserve, the difference of £100 multiplied by 3 (the number of times which the total amount of money is contained in the total amount of revenue) gives £300 indirect tax imposed each year by the operation which gives the provincial banker a profit of £ $3\frac{1}{2}$.

3. If, for each £100 borrowed at 3 per Cent and put into reserve for the security fund, there were an issue in paper of £300, deducting from the £15 received as interest on the money lent, the £3 as the interest on the money borrowed, the net profit on the issue of paper would be 4 per Cent.

In this case, the exact addition to the quantity of money in circulation, viz. £200, multiplied by 3 as above, gives for £4 profit to the banker £600 indirect tax on the revenue.

[Let us now see the] profits and advantages operating in compensation of the evils of excessive paper circulation [as far as the community as a whole is concerned].

1. The first advantage resulting from an addition to the mass of money made in a commercial way, is a corresponding addition made to the mass of real wealth: viz. by the first employment of that new capital in productive expenditure.

We have seen that the addition to real wealth is about $\frac{1}{20}$ th part

of the new fund, and that its duration is the same as that of the added wealth.

We have calculated that the addition made to the original fund by the issue of paper money in 1800¹ has been about 2 millions: under this supposition an indirect and perpetual tax of about 3 millions has been imposed on the mass of the national revenue, and at the same time a perpetual addition to the amount of £100,000 (£2,000,000:20) has been made to national wealth.

If a balance were to be struck between the *good* and the *evil* resulting from this addition, there would be room for a great diversity of sentiment. The same person, according to whether public man or private man predominated in the composition of his sentiments, could arrive at very different results. The Minister of Finance would say: *let us have the £100,000 at all events. Public wealth is our object, and not the happiness of individuals. We are statesmen and not metaphysicians. Let us attend to the interests of the public, the individuals will take care of themselves.*

Such might be the language of politicians: but the individual who saw his revenue diminishing and insensibly dissolving between his hands, would have a different way of reasoning. *Who is that public that is to be distinguished from individuals? Is it not composed of the individuals themselves? Consider in detail the interested parties. You have on the one side the bankers who issue this money, and the merchants or manufacturers to whom they lend it, and you have on the other side the whole class of persons with fixed revenues, and all those whose incomes cannot grow as rapidly as the prices of the saleable goods. The question is to know whether we should contribute our part of the 3 millions, out of our annual revenues, so that those bankers and merchants may have their part of the £100,000. Every individual is as much part of the public as every other: and as for a calculation of the number of the parties interested, it is evident enough that the loss is for the greater part of the community, and the profit for a very small number.*

Arguments of this nature are not, however, the arguments which sway the balance in political decisions. This kind of calculation does not lend itself to eloquence of oratory.²

¹[The MS reads 1801, but this must be a slip of the pen.]

²[Here Dumont's translation breaks off. A marginal note indicates that according to Bentham's argument it would be possible to produce with a tax of 6 millions an equal augmentation of £100,000 by various productive applications of the money levied, without adding to the mass of money or to prices. Dumont says that he cannot take the argument seriously, and that if a joke is intended, he does not think it in good taste. Bentham

2. Another branch of profit is connected with the rise in the price of Funds (i.e. of government annuities) and consists in procuring public loans at less disadvantageous terms.

The price of these annuities will have a tendency to fall in proportion to the quantity which is put up for sale in a given time, and to rise in proportion to the quantity of money which may be applied to their purchase.

This advantage appears to be accompanied by a proportional disadvantage: viz. the rise in the prices of the articles for the purchase of which this money has been levied by the sale of the government annuities. The advantage and the disadvantage present themselves at first sight as mutually destructive.¹

obviously meant that it would be preferable to impose a direct tax with the proceeds of which the same increase of wealth could be achieved as with the indirect tax implied in inflation.]

¹[Again the rest of the argument is suppressed and Dumont acknowledges in a marginal note that he has been unable to grasp it.]

OF THE BALANCE OF TRADE

OF THE BALANCE OF TRADE

[RE-TRANSLATED FROM THE FRENCH VERSION OF E. DUMONT]

1801

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CHAPTER I. ERRONEOUS NOTIONS CONCERNING THE BALANCE OF TRADE

By *balance of trade* is meant the excess, in terms of value, of the goods exported out of the country over the value of the goods imported. Such a balance, where it exists, is called a favourable balance. If it appears from the books or registers to which reference must be made and from which the proofs available in this matter are to be drawn, that the excess is on the side of the imports, the balance is regarded as unfavourable.

A reader not already forewarned and cognizant of current opinion would at first be inclined to suspect a misprint in these words. Among the hundreds of thousands of individuals who are engaged in trade, there is not one who would not regard his business as *better* in proportion to what comes in, and *worse* in proportion to what goes out. How is it then that the excess of national exports constitutes the wealth of a nation, that the greater this excess is the more advantageous is its trade, and that the more it gives of its own goods beyond what it receives, the more it is in a state of prosperity?

If the value of British exports [to other countries] is considerably in excess of the value of foreign imports [into Britain], it must be that the other nations have received from us goods of higher value than those which we have received from them: hence in the same proportion in which the balance has been favourable for us, it must have been unfavourable for those other nations. Now, as it has been, for a whole century, with the exception of a single year, in favour of Great Britain, there has been during this space of time a loss shared among all the other nations who have been trading with her: it makes little difference how this loss is distributed: what is clear is, that there are here two parties of whom the one has gained and the other lost.

But is not long and positive experience against this theory? Taking a country as a whole and over a certain length of time, there cannot exist what is called a *losing* trade. This [whole idea of a losing trade] is a chimaera which has never yet come to pass. It is not only an inaccurate expression: it is an expression that is fundamentally misleading, based on an error and incapable of producing anything but error.

The mass of national profit must necessarily be composed of the sum total of individual profits: and the individual profits taken together must necessarily compose the mass of national profit. For me, an English merchant, it is by no means necessary, if I am to gain in my trade with a French merchant, that he should sustain a loss equal to my profit, or any loss whatsoever. His gain from what he receives from me is equal to my gain from what I receive from him. He is no more disposed to part with his goods at a loss than I am to part with mine at a disadvantage. We may, both of us, incur a loss, but that would be an accident no more characteristic of the ordinary course of trade than a shipwreck is characteristic of the ordinary course of navigation.

It is far from being the case that England has gained more from the other nations than the other nations from England: the opposite, in fact, is true. For in proportion as capital is more abundant, the rate of profit is less. This is a truth which has been demonstrated by Adam Smith.¹ Now, Holland excepted, there is no nation which has so much capital as England, and consequently none which invests it with so little profit.

That is not the point, I am told by a man of finance versed in the doctrine of [the balance of] trade. That is not at all the point. We assume no such absurdities. We assume neither individuals nor nations trading and living on losses. We by no means assume either a general surplus composed of individual deficits, or individual surpluses composing a general deficit. What we conclude from the deficit in imports as compared to exports, is that a sum equal to that deficit is paid for in precious metals, an article which does not appear in our Customs House books. We know as well as you do that no man is prepared to trade without an equal return, and it is from this very fact that we conclude, and believe ourselves well entitled to conclude, that, as this equal return is not to be found in the catalogue of registered items, it will necessarily be found among those which are not registered. When we speak of a favourable or unfavourable balance, we do not understand this as referring to all modifications of wealth, but only as referring to the precious metals. When we find in a table of imports and exports that, taking an average over four years, there has been for the nation a profit of six millions every year, we disregard the various modifications of which [this] wealth is composed, and consider only

¹[*Wealth of Nations*, bk. I, chapters IX and XI.]

the encrease in precious metal, which is, of all modifications of wealth, the one usually regarded with most favour.

If, in taking the balance of trade, all forms of wealth have to be neglected, except the precious metals, this can only be done on one or other of the following two assumptions: either that a million's worth of goods in kind has absolutely no value, or that, on the whole, it has less value, much less value, than a million's worth in precious metal.

The first of these two assumptions, which is not in anybody's mind, is obviously too absurd to be worth considering. The second, which seems to be in everybody's mind, is fundamentally the same absurdity, only a little less apparent. The single question whether a million's worth of gold or silver is worth more than a million's worth of silk, cotton or corn, should be sufficient to open the eyes of everybody whom prejudice has not made blind. It is a question exactly similar to the one which puzzles children, namely, whether a pound of feathers is as heavy as a pound of lead. Gold and silver, among all the metals, possess properties which are exclusively theirs and which are the foundation of their great comparative value in exchange. It is because of these rare properties that a pound of gold comes to have a value equal to several pounds of silk. The value of a thing is precisely the value of any other thing that can be exchanged for it. Once you leave this proposition, you no longer know what you are talking about.

But if a million's worth of precious metal is not worth more than a million's worth of cotton or of silk, it is difficult to say why a trade which gives to a country a balance of a million in precious metal should be regarded as favourable, and a trade which gives a balance of a million in cotton or in silk as unfavourable. An expression which is so inaccurate, so misleading, can only yield conclusions which are erroneous and deceptive. It can only lead to wrong measures whenever it is allowed to influence the operations of government.¹

¹[Marginal note by Dumont: "Three pages omitted. It is shown that the extra value is attributed to the precious metals not in the form in which they are useful, but in the form in which they are harmful (money) because they act like a tax on income which profits nobody. (This consideration is foreign to the investigation of the balance of trade.)"]

CHAPTER II. IN WHAT SENSE IT MAY BE TRUE THAT THE BALANCE IS FAVOURABLE OR UNFAVOURABLE

But admitting that, in the ordinary course of trade between nation and nation, both may be gainers, can it not happen that one gains more than the other, and that, in comparison at least with that gain, it could be said that the other was a loser?

I answer—yes, certainly; one of the two may gain more than the other. When a mass of goods of British manufacture valued at a million, is given in exchange for goods of French manufacture also valued at a million, it may happen that in a certain sense England's gain exceeds that of France. But in what sense? Only in this—that the production of the English commodities has cost less labour than that of the French commodities. Yet on the common assumption of a greater profit [on one side], has anybody ever thought of proving that the [greater or] lesser profit is related to the quantity of labour [involved]? Those who speak with so much assurance about the balance of trade, have they ever thought of striking that balance [in terms] of labour?

I am inclined to think that in this sense Great Britain carries on a more advantageous trade than any other nation. It is there that there is to be found the greatest mass of capital, and that in consequence there has been developed to the highest pitch the division of labour, the use of machinery, and all the other advantages not yet mentioned which result from operations on a large scale: so that, taking all in all, the produce of labour, the produce of a given quantity of labour, is greater in England than anywhere else. It is in this metaphorical sense, and after many explanations, and twisting the ordinary meaning of the word, that it can be said, without going very far from the truth, that the other nations engage in a disadvantageous trade, a trade at a loss, in their dealings with England. But apply this artificial theory¹ in practice, and see what the consequences of it will be. The consequence is that, with the exception of England, no nation ought to engage in any trade: for the object of these profound politicians in [enunciating] this theory of trade has been to persuade the governments to prohibit at all costs all disadvantageous trade.

There is another case, and one only, where it can be said of a trade that it is *disadvantageous*, and even then it is not the total trade of a country, but only a certain part of that trade.

¹["... cette théorie forcée...."]

Suppose that a nation would be able to provide the quantity of corn necessary for its subsistence, if the quantity of labour necessary for its production were not applied to other uses. Suppose that this labour, instead of being directed to agriculture, has created wealth of a different kind by being distributed among a variety of manufactures, the products of these manufactures being exported and exchanged so as to make up for the deficiency in corn production, but [that] the wealth produced in the form of manufactured objects has not been equal to the wealth which has been lost in the form of victuals. What has been gained by the manufactures will not be equal to what it has been necessary to pay for the grain. Here you have an assumption which might perhaps come true: and if it should come true, it would be an example of a disadvantageous trade; this label could not be attached to one branch rather than to another, but it could, in a general way, be applied to the trade in manufactured goods taken as a whole and in opposition to agriculture.

It must [however] be observed that even in such a state of things (if it should exist) the evil that results is not an absolute loss in the mass of wealth. The evil consists mainly in the inequality which is thus produced with regard to the distribution of wealth—in a kind of revolution to which property is subjected. The evil corresponds to that produced by the encrease of prices which results from an excessive encrease of money; it is a kind of indirect tax on income causing more pain to those who experience that reduction than pleasure to those who profit from that loss.

Observe furthermore that in this very case where a certain part of trade can be regarded as disadvantageous, it cannot be said that this is so with regard to any of the individual branches of which that trade is composed. All these branches carry on a paying trade. What happens is only that one class of individuals sustains a loss because another class has been forced to draw its profits from manufacture instead of drawing them from agriculture.

In conclusion I repeat that this is nothing but supposition, and so subtly theoretical that it cannot perhaps be ever found in practice.

CHAPTER III. THE QUESTION OF EXPEDIENCY EXAMINED. ERRONEOUS ASSUMPTIONS ENTERTAINED BY THE MERCANTILE SYSTEM

In order to form a correct idea concerning what is called the *balance of trade*, it is necessary carefully to distinguish two questions

—the question of expediency, and the question of fact. 1. Is it beneficial to the community, with regard to the encrease of wealth and in other respects, that the mass of gold and silver should receive an indefinite and unlimited encrease? 2. Is it a fact that in this or that period this or that augmentation of money has taken place? Nothing is more common in political discussions than to see these two questions continually mixed up and confounded; and even in the manner in which the facts are stated a positive conclusion concerning expediency is implied: for to say, *the balance has been for ten years in our favour, the balance is at present against us*, is to presuppose that the importation of gold is a positive advantage, and its exportation an evil. In order to state the facts without taking the consequences for granted, it would be necessary to say simply, *so much gold and silver has been imported in a given space of time in excess of the quantity exported*: but that is not the way it is usually put.

Another distinction which is no less necessary and no less difficult to bear in mind, is that between what is called the balance of trade and the balance or difference of profit or loss in the books of this or that person engaged in trade.¹ The term *favourable balance* does not mean the same thing in its political and in its commercial sense: it has not the same significance. A merchant and [indeed] all merchants may have carried on a trade more lucrative than ever before in the same period in which what is called the balance of trade has been unfavourable. They may in the same way have carried on a trade less lucrative than ever before in the same period in which the balance of trade has been favourable.

Suppose a merchant who, having spent £1000 st. in the purchase of cloth in England [and exported it with a gain of £150], orders wine from Portugal to the value, after payment of all expences, of £1150. If, because of the improvement of machinery in [cloth] manufacture, or for other reasons, he can have for £500 what cost him £1000 [before], and can consequently order for £1000 a quantity of wine which is worth in England £2300, the balance of trade will not receive any augmentation through this gain: and though the profits of all merchants who export English goods and import foreign goods in exchange should encrease in the same proportion, yet the balance of trade in the political sense of the word would not receive any augmentation. But if instead of receiving from Portugal, against an appropriate payment, wine

¹["... la balance ou différence entre la somme de profit ou la somme de perte. . ."]

worth £2300, he had received in gold a sum of £1000 (exactly what it cost him to buy and export the cloth), the balance of trade in the political sense of the word would appear favourable to the total amount of £1000: and the more transactions there were in gold, instead of more profitable transactions in goods, the more favourable the balance of trade would appear during the period concerned. And take the opposite case: the more advantageous the transactions were, the more disadvantageous the balance would appear to be.

The use of a term which does not express the facts and which so often implies an idea directly contrary to the facts, is in itself a very strong presumption against the whole system of ideas based on that term. He who uses it does not understand it himself and cannot make himself understood. When he says that so much gold has been imported into the country beyond what has been exported, he concludes that this difference implies an encrease in the national wealth; he does not take into account the mass of things which have been exported to pay for that gold, and he does not consider that if the country has so much the more in gold, it has so much the less in all the goods which have gone abroad.

With regard to the question of expediency, the notions entertained by the partizans of the mercantile system in general (and by Mr Irving¹ in particular) seem to be reducible to the following points.

1. Gold and silver possess a kind of overriding and mysterious political value in relation to the community in general, over and above the value which they possess in the estimation of the individuals who, in the course of trade, receive them and pass them on: whereas in the eyes of these individuals a thousand pounds' worth in gold is no more than a thousand pounds' worth of corn, in the eyes of the statesmen and for the community in general a thousand pounds' worth of gold or silver is worth much more than a thousand pounds' worth of corn or other merchandize.

2. Such is the pre-eminence of this value that in practice wealth in all its other forms may be considered as nothing in comparison to wealth in this particular form.

3. The wealth existing in a country should not be reckoned by the values in kind of every description, but solely by the available quantity of gold and silver.

4. As for imports, nothing must be accounted an encrease of

¹[Cf. above, p. 27.]

wealth but the quantity of precious metals brought in. If, at the same time, a thousand pounds' worth of gold and silver and a thousand pounds' worth of corn and other goods are imported into the country, the thousand pounds in gold and silver may be put down as so much profit: the thousand pounds in corn and merchandize must not be put down in the same way.

5. On the contrary, they must be put down as a loss, as a diminution of wealth. For the effect of the thousand pounds in corn has been to keep out of the country a thousand pounds in gold or in silver; because if, in exchange for whatever has been exported in order to buy the corn, corn had not been bought, it would have been possible to obtain gold and silver in bullion.

6. Hence, when we reckon profit and loss as between one country and another, a thousand pounds' worth in gold = + 1000: a thousand pounds' worth in corn equals, not 0, but 0 minus a thousand = - 1000.

7. This superiority in value of gold has no limits: a country cannot have too much of it and never has enough. There is no quantity so great with reference to the needs of a country that beyond that quantity it would be better for that country to have, instead of gold, an additional quantity of other goods.

8. A country should therefore never permit the import of corn or other goods in the greatest possible quantity if instead it is possible to obtain [even] the smallest quantity conceivable of gold or silver.

9. *A fortiori*, the export of these precious metals should not be permitted if, by giving up the greatest quantity of corn or other goods, it is possible to avoid the disadvantage of allowing one's gold and silver to leave the country.

10. Far from there being a profit, there is always a positive loss in receiving from a foreign country in exchange for goods a greater quantity of corn or other victuals: for it is a principle that for every export in kind for which one receives something other than gold and silver, one could have received gold and silver.

11. But corn and other commodities obtained and imported *gratis*—if such can be obtained and imported *gratis*—may be considered as having political value. If their value in use or in exchange is a thousand pounds, there is no reason why their political value should not be a thousand pounds, since nothing can be seen which might reduce it.

If this whole system of ideas does not seem particularly rational

nor in agreement with the nature of things, it is at least fairly coherent and fairly consistent in all its parts.

CHAPTER IV. THE QUESTION OF FACT EXAMINED. ERRONEOUS ASSUMPTIONS IN THE MERCANTILE SYSTEM

The value of the goods which we receive [from abroad] is £6,500,000 *below* the value of those which we export. This gives a balance of £6,500,000 in our *favour*. Not that there is anything favourable in giving £6,500,000 for nothing: but the supposition is that the merchants do not part with goods to the amount of that sum for nothing, and as they would be giving them for nothing if they did not receive the equivalent in gold and silver, the conclusion is that they do receive it in gold and silver.

In this conclusion the following tacit or express assumptions are made.

1. That the accounts of the Customs are correct, or at least that their errors in this respect are not so great as to affect the conclusions. Among other reasons which make me doubtful of this I shall say here only that the sums of gold and silver which should have been received according to these accounts are far in excess of the sums which could possibly have been received.

2. That the money received in gold for merchandize valued at £1000 and which has cost the person who exported it £1000, is £1000 and no more. Another source of error this: for in this case, where would be the profit? If the trader is paid in gold, he should receive 15 per Cent more—the ordinary rate of profit.

3. That the returns or payments for the goods exported are made in the very same year or the year next following. This is yet another error. Our merchants often give much longer credits in their transactions with foreigners.

4. That the quantity of gold or silver imported every year is a neat addition to what was already in the country. This is an obvious misconception. A more or less considerable quantity of gold or silver is exported every year in one form or another.

5. That all exports every year have for their object to produce returns. This is a further assumption proved false in each year in which various articles have been exported, without any return, for the payment of expences incurred abroad, for the upkeep of troops, subsidies to allies &c.

Carried away by all these errors, Mr Irving has persuaded himself,

and succeeded in persuading the Committee of the House of Lords, that in the course of the four years ending in 1795, there has been annually a neat addition of £6,500,000 to the mass of gold and silver already in England, and that in the following four years this addition rose annually from an average of £6,500,000¹ to an average of £14,800,000, making £59,200,000 for these four years.²

This whole report of Mr Irving's [as it stands] must be taken upon his word: [yet] to deserve to be believed, he should have given the actual accounts of which these sums constituted the balance. He has not given these accounts: he was not in a position to do so. His whole work is nothing but chaos. I do not doubt that the opinion which he enunciates was his sincere conviction. A man is never more apt to deceive others than when he has deceived himself. But that language so obscure, ideas so confused, and such obvious benightedness³ should have been able to gain the confidence of a Committee of legislators, and their praises and their thanks, is a proof that the science of political economy is as yet very little advanced. Confused language is a thousand times more opposed to the progress of truth than the grossest errors. Error may be refuted: confused language is beyond refutation. What is irritating in this chaos of Mr Irving's, fortified as it is by very distinguished approbation, is that it contains the seeds of destruction, the seeds of war, and [provides] grounds not only for the vindication, but even for the commendation and admiration of destructive and warmongering ministers.

I suppose that if, instead of these magic words "*a favourable balance of £14,800,000*", Mr Irving had wished to give the facts, the simple facts, setting aside his own opinion and his own satisfaction at the facts, he would have been reduced to saying that, "for four years, we have imported [each year] into the country gold and silver worth £14,800,000 more than what has been exported in the same four years, making all in all a sum of £59,200,000".

The facts, reduced to these simple terms, would have given him

¹[The MS in fact reads "£6,000,000".]

²[It must remain the task of further research to find out, if that is at all possible, where exactly Bentham got his figures. As we can see from vol. II pp. 213 and 269 (footnotes), he knew Alexander Allardyce's pamphlets which contain a good deal of relevant information. Cf. *An Address to the Proprietors of the Bank of England*, 3rd ed., 1798, Appendix, p. 64; cf. also *A Second Address to the Proprietors of Bank of England Stock*, 1801, Appendix, p. 39. But Bentham must have had access to other sources as well.]

³["... *des ténèbres visibles*..."]

a moment of misgiving and surprise. The noble legislators might then have thought of asking him from what mines these ingots of gold and silver had been extracted, in what ships they had been brought, in what banks they could have been deposited, in what hands these millions were then to be found, and by what miracle so great an encrease in money remained unperceived by everybody. No more illusory vision of gold and silver has ever been conjured up by the most inspired alchemist.

CHAPTER [V.] THE EXAMINATION OF THE QUESTION OF FACT
CONTINUED. THE ERROR OF THE FUNDAMENTAL ASSUMPTION
ON WHICH THE MERCANTILE SYSTEM IS BASED

We have seen that for the system of the balance of trade it is necessary to assume that neither gold nor silver nor goods are ever exported without return.

The error of this assumption explains the greater part of the difficulty which lies in the extravagance of the sums which are said to have been imported in precious metals.

According to the current system, the more exports exceed imports, the greater ought to be the sum imported in gold and in silver. Whatever is exported without return swells, according to this assumption, the quantity imported in precious metals. Whatever is exported in time of war for the maintenance of our troops on the Continent or those of our allies is exported without return and without expectation of return. Whatever is exported as a monetary loan for the same purpose and is not paid back when it is due, is, for the whole time during which payment is delayed, exported without return. Whatever is exported in this way without return is converted by the partizans of the system into an equivalent importation of gold and silver.

Never has a system of ideas been more diametrically opposed to the nature of things. It transforms loss into profit, expenditure into receipt. Have twenty millions in gold and in silver been exported during a year without any return? It suppresses this whole exportation and substitutes in its place so many millions of real specie imported.

Such was the theory presented by Mr Irving in his famous report and accepted with acclamation by the Committee of the Upper House.

If the quantities of gold or of other merchandize exported for these different reasons could be known, the current system of

[calculating] the balance [of trade] could be defended, because the error in the final figure could be recognized and corrected. But neither the amount of these valuables exported without return nor the extent of the error which arises because of them in the balance of trade can be known, and consequently it is impossible to know how great the difference [they make] is, on which side it is to be found, or even if there is any. Yet this rule of the balance of trade, based as it is on the evidently false principle that there are no exports without return, was accepted by all statesmen and supposed to be infallible, and has served as the basis for the most important operations of government—bounties, prohibitions, taxes, commercial treaties, alliances, peace and war.

In order the better to judge this modern science of the balance of trade, it will not be useless to go back and to calculate the quantity of gold and silver which England, according to this rule, should have acquired in one century alone. It was in 1698 that Sir Josiah Child published his treatise¹ in which he speaks of the expression “favourable and unfavourable balance of trade”, and of the theory founded on that expression, as of a novelty, and after making certain explanations and modifications worthy of his genius declares himself its follower and defender. In the year 1697 begin the accounts of exports and imports published by Sir Ch. Whitworth.² From 1697 until 1798 inclusively we have a period of 102 years. In all that time there has been one year only during which, according to the Customs House books, exports have not exceeded imports. That remarkable year was the year 1681 [*sic*] and I do not know whether there was anything out of the ordinary in that year that could explain that singularity.

Exports from 1697 to 1798	£1352,307,970
Imports to be deducted	£1009,424,245
Difference	£342,883,725
Add 15 per Cent for commercial profit where the import is in gold or in silver	£51,432,558
This gives as the addition made to the pre- existing mass of gold and silver in the space of 102 years	£394,316,283

¹[An edition of *A New Discourse of Trade* (though not the first) was published in 1698.]

²[Cf. Sir Charles Whitworth, *State of the Trade of Great Britain in its Imports and Exports*, 1776.]

to which should be added the amount already in the country in specie and in plate and trinkets of which a part is likely to have been melted down and put into circulation.

As the population is not regarded as having doubled since 1697, the quantity of money and silverware could not have doubled either, assuming that the relative degree of opulence has not encreased: under this assumption the quantity already in the country must have been considerably greater than the additional quantity. But let us suppose that it is a little more than half; that would suffice to raise the £394,316,283 to the round sum of six hundred millions.

In the course of 102 years, there must have been some wastage through use and accidents: but considering the broadness of the assumption just made, we can leave it out of the account: and likewise, the difference between the 40 millions in minted specie which are supposed to exist now and the 20 millions which may be assumed to have existed then.

According to Mr Beeke,¹ the silverware and all the other works of art, useful and ornamental, which are not house furnishings, may be valued at nearly £50 millions. Plate alone does not amount to £10 millions: at least in France, the general melting down of plate was very far from producing a sum of this magnitude, at a time when that measure was executed with much rigour.

Hence the effect of the fundamental rule which serves as the basis of the theory of the balance of trade is to represent the quantity of gold, silver and bullion existing in the country as being about six times as great as one is led to suppose according to other and more definite data.²

¹[Cf. Rev. H. Beeke, *Observations on the Produce of the Income Tax*, new and corrected edition, 1800, p. 184.]

²[The MS speaks of "60 fois aussi grand" but this is almost certainly a simple slip of the pen. The page ends with the following paragraph which Dumont says in a marginal note he has been unable to understand, and which seems indeed most obscure: "Even this addition of 59 millions which was contemplated with such great satisfaction by Mr Irving and his noble and honourable pupils is equal for the seven years to which it relates to several times the total amount which can be supposed to exist today in the Kingdom."]

CHAPTER [VI.] THE QUESTION OF EXPEDIENCY EXAMINED. AN
ABUNDANCE OF MONEY AS A MEANS OF INFLUENCE IN THE
RELATIONS BETWEEN STATE AND STATE

One consequence has been singled out as truly useful and as resulting from the efforts made to encrease the quantity of gold and silver in a country: it is to provide the means for acting with more weight and force in transactions with foreign states—for financing wars, for paying subsidies, and for maintaining troops outside one's own territory.

Let us assume that this end is good in itself, and let us restrict ourselves to an examination of the means adopted in order to attain it. I see first of all that the object of the legislator is to obtain the precious metals in the shape of money, and as soon as the precious metals have received that form, it is forbidden to give them any other and to export them out of the country. But if they cannot leave the country, of what use can they be in transactions with foreign nations?

For exportation for these political objects, the precious metals would be more suitable in the form of bullion than in the form of money: the export of bullion does not produce any other inconvenience than the absolute loss of the wealth thus exported without return. If, by sending four millions abroad in bullion in the course of a year, the government can maintain a force equal to that which it would have cost six millions to maintain by disbursement at home, that measure will have saved two millions in taxes. If, however, this sum had to be exported in the course of the year in money, the evil arising from the gap thus suddenly made in the mass of the circulating medium which provides the means of fulfilling all pecuniary engagements would be more than equivalent to the benefit of that saving of two millions. In a country in which the quantity of money goes on encreasing, the sum required to fulfil the engagements of the current year is not only equal, but superior to the sum which had been required the year before. As credit, once it is established on the basis of long experience, always exceeds the sum of money required for the year's payments, it follows that what is required in ready money for these payments is more or less equal to the total sum in circulation: consequently, if a considerable reduction takes place, there will be many bankruptcies, and many other losses less known through the sacrifices to which many merchants will resign themselves to avoid that catastrophe. Engage-

ments had been undertaken in the expectation of receiving such or such a quantity of money. In consequence of the reduction in the mass of money [in circulation], the merchants do not receive what they had expected. If money to the same value had been exported out of the country in wealth of another kind, the damage to this country would have been restricted to the loss of that wealth. But by the export of money, the distresses resulting from the bankruptcies and from the violation of engagements constitute an evil which is so much added over and above that loss. This evil would be still further aggravated in the case where there is paper money in circulation, and where that paper money is so great in quantity that the whole existing mass of metallic money would be needed to serve as pledge and security for it. A sudden deficit of four millions in a country where there is no paper money and where the coin changes hands three times during the year, may produce bankruptcies to the amount of roughly 12 millions. The same deficit, if it is effected with equal suddenness in a country where there is a paper money that has for its security fund a third of its value in metallic money, may produce bankruptcies to the amount of roughly 24 millions: a quantity of bankruptcies which seems more than sufficient to bring about universal bankruptcy.

To obtain political influence by means of *money*, taking the word *money* in its literal sense, to obtain this influence, without exposing oneself to major inconveniences, it is necessary to be in possession of a *treasure*, that is to say, of a mass of precious metal, minted or unminted, which is held unemployed in the hands of the government. Such was the policy of the Great Frederick. Such is the policy of the Princes of Hindostan. The export out of the country of a part of that treasure produces no gap in circulation and takes nothing from the sum of money destined for the discharge of pecuniary engagements. It is still a defalcation from the national wealth, but at least it does not entail the particular calamities which, in the other case, are a neat addition to that same loss.

CHAPTER [VII.] OBJECTIONS OF ADAM SMITH CONCERNING THE BALANCE OF TRADE

The observations of Adam Smith concerning the balance of trade may be referred to the following heads.¹

¹[Cf. *Wealth of Nations*, bk. IV, ch. I ; for point 5 cf. also chapters II-VIII, esp. ch. III pt. II *ad init.* and ch. V *ad init.*]

1. He remarks that the end proposed, the accumulation of gold and of silver, is futile, that gold and silver have no more right to be called wealth than any other modifications of property, that the quantity of wealth in a country would not be more encreased by an addition in precious metal than by an addition to the same value in other things: and that there are many things which are more necessary and which one can less do without than the precious metals.

2. That the reasons which make the importation of gold and silver advantageous to those who are engaged in that trade, so that they prefer a return in the precious metals to a return in other goods, are limited to that small class of traders and do not apply to the other classes of the community.

3. That the particular advantages which are attributed to gold and silver in transactions with foreign countries are imaginary: that in no [previous] war have so many payments in supplies and subsidies had to be made on the Continent as in the last, and that these payments were not made in gold and silver.

4. That the means used to encrease the quantity of the precious metals in a country do not attain their end, because it is in point of fact an end which cannot be attained by any direct means. That in countries which have no mines the only means of obtaining more gold and silver is to produce more of other kinds of wealth: that gold and silver will encrease in the same proportion as these other kinds of wealth, and never in a greater proportion.

5. That these means, without effect as far as the desired end is concerned, do produce some positively bad results, and in particular indirectly prejudice the encrease of that wealth to which they are falsely believed to add.

These are the arguments which Adam Smith has developed with that force and that sagacity which are characteristic of him. He has not done so in a dry and abstract manner, but he has introduced into the exposition of his proofs all that can render them easy to understand; he has called to the help of reason all that makes it pleasing; he has fought a vulgar prejudice; he has wished to make himself understood by the greatest [possible] number, and he has achieved by ridicule the victory which he had begun by demonstration. I say *victory*! But twenty years later, Mr Irving comes along and brings forward all the absurdities which Smith believed he had annihilated, and committees of legislators, applauding with all their

force, teach us how slow the triumphs of reason are even with the most enlightened nations.

There are several points in his argument on which Adam Smith does not seem to have bestowed the same deep attention and the same lucid thought.¹

1. He seeks to depress the value of gold and silver below its proper level, as if by a kind of reaction against the unjustified superiority which vulgar prejudice has attributed to them. According to others, £1000 in precious metal are worth more than £1000 in other goods: according to him, less. He does not say so in so many words, but this is the inference which he leaves in the mind of the reader by the contempt and ridicule which he throws on the opinions of his antagonists.

2. He does not seem to have formed any idea of the positive evil which results from an augmentation of gold and silver in the form of money through the encrease of prices. He thinks of this encrease as taking place only from generation to generation and not between the different periods of the life of one man. He speaks of doubling the money of a country without envisaging a decrease² in its value as a possible contingency: as for the inconvenience, he sees only one, of which he speaks as having but little importance, namely, that of having a greater weight to carry, having [to carry about] two shillings in one's pocket instead of one. But the inconvenience of having but one shilling when, in order to preserve a fortune equal to that which one had before, it would be necessary to have two, does not seem to have made any impression on his mind.

3. Speaking of his own time, he denies the fact of an encrease of prices in so far as it depends on an encrease of money. He does admit an encrease of prices, and even for the period of the ten or twelve years ending in 1775; but he attributes it to the bad seasons, and not to money. He prefers the assumption of ten or twelve bad seasons to any other: not considering that, though the dearth of corn may encrease the relative price of this commodity for a time, yet it cannot encrease the aggregate of prices for any considerable length of time: because the encrease in the aggregate of prices implies by definition an encrease in the aggregate of money, both quantity and [velocity of] circulation being taken into account.

¹[Cf. *Wealth of Nations*, bk. II, ch. II; for point 2, cf. also bk. IV, ch. I.]

²[The MS reads: "*l'*augmentation"—a simple slip of the pen.]

4. With regard to paper money, he does not admit the fact of the encrease of the circulating medium. According to him, the paper does not tend to add to the mass of gold and silver: as much paper as circulates, so much metallic money goes abroad. Hence he assumes that those who accept paper money would not take metallic money. The foreigners, he says, will not want to take your paper money: and, as if to re-establish equality, the people at home will not wish to take your metallic money if, by the addition of paper money, the total quantity in circulation is made greater than before. Adam Smith has not seen clearly in this matter, and has given only a confused and even an inaccurate account of it.

5. He has not seen the great difference between the encrease of the matter of gold and silver and the encrease of money itself. He has regarded the augmentation of gold and silver indiscriminately¹ as a thing which is neither good nor bad but a matter of indifference; he has not seen that the quantity of precious metals, if it is encreased to a certain point, is pernicious [if it is] in the form of money, whereas in any other form it is good rather than bad. And, as a consequence, he has not recognized that, although it is beyond the power of the government to add to the benefit, it is fortunately within its power to reduce the evil.

CHAPTER [VIII.] SOURCE OF THE ERROR

The whole system of thought and action which is represented by the expression *balance of trade* is a tissue of absurdities which contains more contradictions and errors than the idea of the philosopher's stone. It is an equivocal term offering a false end pursued by directly contrary means—a course of which the [anticipated] results are physically impossible, and which is measured by tests which in point of fact prove nothing, but which, if they did prove anything, would prove only the opposite of what they are intended to prove.

False opinions and false language are to each other cause and effect. False opinions produce errors, false language makes them permanent. Sometimes the language is fixed before the opinions have received any kind of methodical consideration, and then a single error in the terms [used], a single word taken in a false sense, is enough to create a false system. Erroneous propositions hidden

¹["... *en gros*. . ."]

away in a word are, in an imperceptible way, indirectly inculcated every time that word is used.

Money, which is not real wealth—money, which has value only to the extent that one parts with it—money is not only a word which signifies wealth, but when one speaks of wealth one thinks always of money; in common language to be rich means to have a lot of money: and to speak of a quantity of money is always to speak of a quantity of wealth.

The enhancement of wealth is one of the most legitimate and one of the most reasonable ends which a government can have in view. In the polity of Sparta which excluded money, the legislator did not by any means exclude the augmentation of wealth: wealth is not only a means of enjoyment, but a means of security and [of adding to the] population: the more products there were, the more consumers: the more citizens, the more arms there were for the defence of the city.

The encrease of wealth, its encrease as well as its preservation, is then an object which should, under all systems of government, attract the attention of the legislators. The encrease of money would be [an] equally proper [object] if money were wealth: but money is not wealth.

The augmentation of wealth within a given time will be in direct proportion to the quantity produced, and in inverse proportion to the quantity consumed: the augmentation of wealth will be equal to the [national] production minus the portion consumed for subsistence, for enjoyment, for security, and the part put in reserve for purposes of future reproduction. The encrease of production is thus the primary aim. The growth of exchange, the growth of the quantity which is transferred from hand to hand, deserves consideration only in so far as it may contribute to an encrease of the quantity of things produced.

The growth of exchange is far from being identical with the growth of production: taken by itself, it is rather the opposite. Exchange implies transport; transport implies cost: cost is not encrease but rather diminution of wealth. If, as is true, natural exchange, spontaneous exchange between individuals, is the cause of an encrease of wealth, it is no less true that exchange, wherever it does not take place naturally and spontaneously, effects, instead of an encrease of wealth, a diminution of it.

And yet it is money, and not wealth, exchange and not production,

which has been the object of the solicitude of governments. They have taken the deceptive image of the thing for the thing itself, shadow for substance, accidental cause for effect. All efforts have been directed, firstly towards encreasing the amount of money, secondly towards the encrease of trade. As for wealth, as for production, the very words have nothing to do with business: money and trade are the only words that are familiar, the only words that are known, accepted and allowed in cabinets and legislative assemblies. Wealth and production are abstract terms, metaphysical terms, terms used by philosophic speculators, discredited as such and relegated to the jargon of economists.

Wealth produced where it is consumed, wealth produced and consumed without exchange, counts for nothing according to common prejudice. Money, a thing which is not fit for any use and of which nobody thinks of making use—money is all. To encrease money rather than wealth, to encrease exchange at the expence of production—these are the great aims of commercial men and of the governments who are their dupes.

Fortunately, these errors, however gross they may be, are not ruinous. Although money is not wealth, although trade is not production, the connection is so close that the evil resulting from this misconception is ordinarily not very considerable.

But although of little consequence in the ordinary course of things, this error is yet great enough to make it necessary to try to avoid it: and there have been particular cases where an error in principle has produced great evils in practice.

These two errors are sanctified by the expression *balance of trade*—an expression which seems to imply the practical maxim that it is the proper end of the legislator to encrease the balance of trade as far as possible.

This maxim rests on two assumptions:

1. That national wealth cannot be encreased without encreasing the national stock of money: which is tantamount to saying that money is the only immediate cause of real wealth.
2. That national wealth cannot be encreased save by encreasing the amount of the national trade: or, in other words, that the encrease of trade is necessary for the encrease of wealth, because it is necessary for the encrease of money.

Hence two things must be done; 1. to make the quantity of

money in the country as great as possible: 2. to make the quantity of trade as great as possible.

As these two propositions are both erroneous, the system of legislation which derives from them cannot be otherwise than erroneous.

The amount of commerce may be encreased without any addition to national wealth.

The amount of commerce may be encreased by means which diminish national wealth.

I say that it is not true that an addition to the amount of commerce will produce an addition to the amount of the national wealth.

Taking a nation in the aggregate, it is not true that an addition to the quantity of its money will produce an addition to the quantity of its wealth.

For each individual taken separately, every addition to his money is an addition to his wealth: double the one, and you double the other. But if this is true of each individual member of the community, how can it be untrue of the community as a whole? Of whom then is the community composed if not of the individuals whom it comprises?

I reply: the wealth of a man is not the *absolute* quantity of his money, but its *relative* quantity, having regard to the whole mass of which it forms part.

If my money constitutes at present a greater *proportion* of the national stock of money than it did twenty years ago, my wealth is greater today than at that time: greater in its absolute [*sic*] quantity, even if I should have less money. If my money does not constitute a greater proportion of the national stock of money than it did twenty years ago, my wealth is no greater, whatever the absolute encrease in my money may be.

If I had yesterday £10,000 and I possess today £20,000, my wealth is indeed double because, in so short a time, the stock of national wealth cannot have received any considerable encrease. But if, ten years ago, I had £10,000 and the nation £40 millions, while today I possess £20,000 and the nation £80 millions, my £20,000 are not worth more to me than my £10,000 were originally. My £10,000 were the forty thousandth part of the national stock, and my £20,000 are still no more than the forty thousandth part of the stock now existing.

Once this is understood, it will be seen that money in itself is incapable of adding to the mass of national wealth. The only effect

which an encrease by half may have is to destroy by half the value of the original fund.

The more a nation possesses, the richer it is. This is true of everything with the exception of money. It is not true that more money means more wealth.

But money, specie, is of particular utility to governments in their transactions with foreign countries, and especially with foreign governments.

Be it so. It still remains to be seen whether there are not cases in which, according to the proverb, gold cannot be bought at too high a price, and whether this is not of the number.

Would it be good economy to hoard money in excess of its proper level for the rare and extraordinary cases in which we may have occasion to use it in this [metallic] form? The answer must be in the negative.¹

CHAPTER [IX.] THE ABSURDITY OF THE AIM PROPOSED BY THE MERCANTILE SYSTEM

Encrease of money accompanies encrease of wealth. But it is not its cause: it is its effect. The encrease of produced wealth causes the encrease of the wealth which is given and received in exchange. The encrease of all the kinds of wealth given and received in exchange encreases, along with all the rest, the quantity of that species of wealth which consists in the raw material of money. When the amount of unminted gold and silver has reached a point which exceeds the demand of the manufacturers, there arises such an abundance and cheapness [of them] that they cannot be used in a more profitable manner than by sending them to the Mint.

To be full-blooded is in some constitutions a sign of health. The statesman who, in order to enrich his country, wants to introduce money into it by force, is as skilled in [the field of] politics as a surgeon would be in [the field of] medicine who, in order to improve the health of a man, injected blood into his veins.

To reduce the rate of interest is a measure of the same stamp. The fall in the rate of interest is the effect of an encrease of disposable

¹[Note by Dumont: "The author now attacks the laws prohibiting the export of gold. The MS is so difficult that I have not been able to decipher it completely. I omit four or five pages." There follow two short paragraphs inveighing against avarice, blindness, etc., but as there is too great a gap in the argument, it is impossible to see what they are driving at.]

capital in consequence of an encrease of wealth. But when it is forced by the government nothing comes from it but impoverishment on the one hand and oppression on the other, without any advantage to the public.

Suppose a law reducing interest successively from 12 to 10, to 8, to 6, to 5. What would that be but a double tithe and a double tax on income? with this difference that, in the case of a direct tax, it is easy to see who is the gainer, while here it is very difficult, not to say impossible: the tax bears exclusively on one class without doing good to anybody. Does a creation of capital result from it? Does the sum of money employed as capital become greater through it? By no means. By impoverishing the capitalists, you force them to remain longer in trade and to employ their money themselves. Who will be the better for it? Will trade be more extensive as a result of it? The more people there are occupied in employing their own capital, the fewer there will be who will employ the capital of others.

There are no acts of oppression which statesmen will not permit themselves with the best intentions in the world, if only they can be hidden behind a mode of expression which is established and consecrated by use.

People complain of the hardness of avarice in transactions among individuals: nothing is said of the hardness and lack of feeling of statesmen in their transactions both with states and with individuals. It is here, however, that the [most] inexorable cruelties and barbarities are to be seen. This is because there is not, in this case as in the other, the fear of the laws and of the moral sanction to restrain them.

A man who would not impose a tax of a penny from which he would have personally the least profit, will put on taxes of a million without examining whether there will result from them any advantage for anyone, for the sole reason that *it is the interest of trade [to do so] and that it has always been done.*

A man who could not bear the idea of inflicting the smallest injustice or the smallest personal injury on his neighbour, will send millions of men to be slaughtered, a smile on his lips and satisfaction in his heart, in order to conquer distant islands or to found a colony which will eat up revenue and yield nothing.

If an individual has need of money, it is to exchange it for all the things which he likes. Would he regard it as a favour if, to the

possession of the money, you were to add the stipulation that he must never spend it? When the nation has gained all the money that the theorists would wish it to gain, what should it do with it? May the nation buy the things which it needs, or may it not? If it may not, what good is the money to it? If it may, is it not just as good to have the things in the first place as to have the money only in order to procure the things with it?

If these absurdities were only absurdities, if they had no influence on conduct, the evil would not be great. But politics is infected with it: this chimerical idea leads to the conclusion of treaties and to the breaking of them, occasions wars, and delays peace, presides over negotiations and impedes them. The peace of the nations is troubled, commerce is interrupted, real wealth is often dried up at its source while this phantom is pursued.

CHAPTER [X.] A POSSIBLE CASE OF UNFAVOURABLE BALANCE

There is scarcely any absurdity, however great it may be, in which there may not be found some element of reason if one is prepared to take the trouble of looking for it. The kind of monopoly which is the aim with regard to precious metal is as far from being possible as from being useful. There is no conceivable case in which the possession of a disproportionate quantity would not be positively harmful. But if it is possible to have too much of it, it is equally possible to have too little. It is easy to conceive of a state of things in which the stock of money possessed by a country may go on diminishing, and that by reason of an unfavourable situation in its affairs. But even in this case, the loss, the exit of the money, is the effect and the symptom of an unfavourable state of things rather than its cause. In our modern age, France at the time of the Revolution is the only example of it which history can provide. A prodigious quantity of real wealth having been destroyed and the reproduction of it stopped by causes which everybody knows, while demand, in relation to various things, rose to a degree never seen before, there was no other way of satisfying it than with the help of the stock of pecuniary wealth. The money which in other circumstances would have been used in the country for the purchase of national labour in order to produce consumable goods, was sent out of the country in order to buy those same consumable goods already made by foreign labour. Another portion of the money

was sent out of the country without return because the landed proprietors, having been put outside the protection of the law, could neither employ it nor trust it to other hands in the country itself, nor yet procure in any other way the means of subsistence in the countries to which they had gone to seek refuge.

In England, in the time of Ethelred and the Danes,—in England when a king allowed himself to be cheated out of his treasure by a pope who promised him to raise his brother to the throne of Sicily,—in England when it became necessary to pay to Austria an enormous ransom for a king taken prisoner,—there may possibly have been then what has since been called an unfavourable balance of trade, export of money without return. But those were times of calamity and extraordinary distress, when the impoverishment of a nation was due to political causes very different from the ordinary course of trade.

I have not asserted that it is impossible that the money of a country should go out of it at a loss: what I have asserted is that it is impossible, apart from these periods of calamity, and in the ordinary course of trade, that a country should impoverish itself by the free transactions of commercial men and by their reciprocal speculations. *Prodigality* when driven to the point where it causes a continuous consumption of real capital and consequently a continuous export of pecuniary capital, is a sort of mania which is conceivable in a nation because it occurs in individuals: but prodigality has never been realized to such a degree, nor to any approaching it, even by those nations who have least sense of economy and who have the greatest passion for foreign luxuries, such as Spain and Russia. But even on this assumption, the export of money, far from constituting the root of the evil, would operate up to a point as a remedy. If the quantity of saleable things should diminish while the quantity of money remained the same, the prices of all articles would encrease more and more, and the weight of an unproductive tax on the income of every individual would come to aggravate the public emergency.

The idea of an inseparable connection between the encrease of wealth and the encrease of money is based on the ambiguity of the words: money is used in common language as a synonym for wealth: the man who has more money is considered as being more opulent: the more money, the more wealth; the more wealth, the more money. And as this is true in the case of a comparison between

two individuals at the same point of time, it is natural enough to conclude that the same applies to two nations, and to take the quantity of money as the measure of the wealth of a community at the different periods which one is comparing.

In the nature of things, there is [however] no connection between an encrease in the quantity of gold and silver in the world, and the encrease in the quantity of real wealth—there is no connection between an encrease in the quantity of gold and silver in a given community and an encrease in the real wealth of the same community. The quantity of real wealth depends on the quantity of labour applied in its production. By common consent, the reward given for labour is paid in gold and silver: but at different times and in different places, the quantity of gold and silver accepted in payment for the same quantity of labour is very different according to the comparative abundance of these metals. In [certain] periods recorded in the annals of England you will find a day's labour paid with the tenth part of what is paid today. If gold and silver should at any future time become again as scarce as they have been in times gone by, a tenth part of the present price would again be accepted for the same quantity of labour. How then can it be that the encrease of wealth depends on the encrease of money when by the application of the same sum it is possible to produce ten times as much wealth in one period as in another?

DEFENCE OF A MAXIMUM

DEFENCE OF A MAXIMUM

CONTAINING

A PARTICULAR EXAMINATION OF THE ARGUMENTS ON THAT HEAD

IN A PAMPHLET OF 1800

ATTRIBUTED TO A LATE SECRETARY TO THE TREASURY

TO WHICH ARE SUBJOINED

HINTS RESPECTING THE SELECTION OF RADICAL REMEDIES

AGAINST DEARTH AND SCARCITY

1801

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[I. GENERAL OBSERVATIONS]

IN introducing these pages to the notice of the reader, the first thing to be done is to shut the door against any such misconceptions as might be apt to arise out of the title page.

In speaking of a maximum as a defensible measure, all I mean to contend for is that a price might be found which, though inferior in no small degree to the highest prices that have been known to be demanded and given in some instances, might be marked out as the highest that should be sufficient to be taken, by a fixation which would be productive of some relief, without any such disadvantageous effects as would overbalance the advantage.

In the eventual recommendation thus given in favour of a measure of this kind, I do not mean it as a specific against all complaints of scarcity. I do not mean it as a means of ensuring an habitual middling price, much less habitual cheapness. It will not annihilate money: it will neither create land, nor unfetter it.

I do not mean it as a whip or scorpion for the punishment of the growers or vendors of corn: I do not mean to hold them up as fit objects of legal punishment, nor so much as of moral censure.

I do not pretend to say that among the precedents in which the prices of labour or goods [have]¹ been limited by law, there is a single one that can justly be looked upon as a case in point with reference to this. It is something indeed to show that this would not be absolutely the first and only instance in which government has taken upon itself to limit prices. But when those cases come respectively to be examined, there is not one of them that will not be perceived to differ from this in some essential point, and that so materially that, although in those cases it should be expedient, in this it might notwithstanding be the reverse.

The example of France has been referred to as an experimental proof of the inexpediency of a maximum law. The reference, to be applicable to the purpose, must go to this that the example proves the inexpediency of such a law according to any the most advantageous form that could in this country be given to it. But to this purpose the example will be found inapplicable altogether. To those who want either ability or inclination to look beyond a

¹[The MS reads "has".]

name, the argument may be a sufficient one: but to any one who will take the trouble of seeing what was really done in France by government on the occasion referred to by that word, the resemblance will be found wanting altogether. In France, the price was set at random, and set abundantly too low: it was accompanied with one obligation—an universal pell mell obligation—to carry the corn to market to be sold at that inadequate price: and the price which would have been inadequate, had it even been real, was after all but nominal, payment being to be taken in worthless paper. This account of the matter is taken from an interesting narrative, purporting to be that of a lady, who was witness to the scene.

The propositions it does prove are abundant—that people ought neither to be plundered nor put to death without trial; that farmers ought not to be forced to send in their corn to market, especially not all of them the same day, and every day; that people ought not to be forced to take a grain or two of stamped paper for an ounce or two of gold or silver; with a multitude of other propositions as incontestable as these. But what has all this to do with such a maximum law as any one would propose for Britain?

In speaking of a maximum as a measure that might eventually become an eligible one, I must beg not to be understood as proposing a system of compulsion obliging growers or vendors of corn to send it in to market either all at once or according to any system of regulation in respect of numbers, quantities, times, and places.

Compulsion being out of the question, what assurance, it may be asked, can you have that your price, when thus fixed, will be accepted of? but, if [it is] not accepted of, there comes famine. I answer: the same assurance that exists in all other cases: and [the same] that, in all other cases, is proved to be well-grounded by experience: the natural sufficiency of the inducements for bringing the article to market: the absence of all inducements for keeping it back. I might have said, a much stronger assurance: [for] the profit still obtainable will not be a profit merely equal to the greatest usually obtainable in other trades—or at other times in this trade—but much greater. The inducement which, without the maximum, prompts men to keep back the article, would by the maximum be taken away: without the maximum, experience holds out a[n] almost quadruple price as obtainable, presumption might hold out a greater and indefinite one: the maximum, admitting of no more than a double price, puts an end to all such expectations, and leaves

the allowed price as the only obtainable, as well as abundantly sufficient, price.

Should any one here observe, that a maximum is a sort of measure of which famine might be the result, I admitt the truth of the observation without the smallest hesitation. A government which, with this instrument in its hand, should propose to itself to give birth to that calamity, might go to work with the most perfect assurance of success. A physician, who should propose to himself to poison his patients, might be equally well assured of success, by means of opium or antimony. To the College of Physicians, the property thus indisputably belonging to these two useful drugs has never been a secret or matter of dispute: yet opium and antimony maintain an undisputed place in the list of useful medicines. Physicians, knowing that life and death depend upon number, weight and measure, are in the habit of bestowing upon those objects the attention they deserve. If those who amuse themselves with speculating or operating upon the body politic, were as strict and as uniform in their attention to those essential objects as those whose labours are employed upon the body natural, a little better logic and a little less rhetoric would be heard and read, both within doors and without.

I admitt then that, by means of a maximum, it is perfectly easy to make a famine: but in return for this admission, I am more than half inclined to demand another—¹viz. that with an ordinary measure of attention, with that measure of attention which no reasonable and candid observer can expect to find wanting either on the part of administration or of Parliament,² it would in such a case be little, if at all, less easy to avoid making one.

Look at the name only and no deeper, famine stares you in the face: look a hair's breadth deeper—the danger vanishes. As, for example, suppose the price reduced by a maximum to whatever mark it is proposed to reduce it by importation—where in that case is the famine? Importation, it is true, encreases quantity, and in that way lowers price, whereas a maximum would, if successful, reduce price without encrease of quantity. True: but, on the other hand, encrease of price, it is equally well known, is out of all proportion to deficiency of quantity—but of this a little further on.

I do not believe in the existence of combination in any instance. Not that, were evidence to present itself, I should be at all disinclined

¹ ²[Put into brackets at a later date.]

to listen to it: but as, from the nature of the case, it is that sort of fact which I should not expect to see exist, it is of course that sort of fact which I should not expect to see made out by evidence.

The very enormity of the heighth [*sic*] to which we have seen the prices rise, is to my view of the matter an argument against the probability¹ of any such combination. On the supposition of a combination, I find it difficult to conceive how [the price]² should have ever fallen even to the high mark to which we have seen it fall, or how it should ever have risen so high as we have seen it rise.

The effect of a combination is rather to fix prices than to urge them on at an indefinitely encreasing rate. In the case of a combination, it is but natural that the rate at which they are fixed by it, should be at too high a mark: but at that too high mark at any rate they are fixed. It is by competition, the very reverse of combination, that prices are spurred up to a continually encreasing height. While the price is as yet no higher than a double price, dealers crowd in upon the farmer to buy it at that double price, each apprehending that if he does not now submit to get it at so high a price, he will, he knows not how soon, not be able to get it at less than a treble price. The farmer, observing this eagerness, and inferring a general and proportionally encreasing scarcity as the cause of it, rises accordingly in his demand. Why should he not? if he foregoes his share in the profit, he will but throw it entire into the hands of his neighbour. If combination had been the cause, there must have been an uninterrupted chain of prices successively fixed by it, with a convention of farmers or corndealers, or farmers and corndealers, continually sitting and setting illegal assizes of corn with as much regularity as the legal assizes are set in the case of bread.

The supposition of a combination among farmers is a supposition altogether unnecessary to the accounting for the effect, when, without any such combination, a competition among the dealers is a caus[e] adequate to the production of the effect in an equal, or any superior, degree. When in the case of the South Sea Scheme an annuity that had been sold at £100, rose in the course of a few months at £1000, it was not by a combination among the actual possessors of the property, but [by] a competition among those who, being confident that how high a price soever they should give for it, they should always be able to sell it at a still higher, were

¹[The MS reads "improbability".]

²[The MS says "it".]

continually anxious to possess more and more of it. When in Holland, at the time of the Tulip Rage, a flower of that kind that might before that time have been had for a shilling or two, found purchasers at 5 or 10 guineas, it was still not any combination amongst the growers of those superfluous ornaments, but the competition, the adventurous wager-laying competition, among the purchasers that was the known and real cause.

Seeing in those and other instances, how a rise much greater than that in question can be produced without combination, and not seeing how in that in question anything near so great can be produced by combination, nor so much as how any combination can take place, it is but natural that I should not expect to see the existence of any such matter of fact as a combination of this sort established by evidence. But though the effect has not human wickedness nor even human concert for its cause, it is not in itself the less grievous, nor the prevention of it, so far as it can with safety be prevented, the less desirable.

It has been observed, and with great appearance of truth, that the interest of the vendor of corn is always the same as that of the public.

It certainly is so at a time of moderate plenty: it may be so at the time of a light degree of scarcity. It seems by no means equally clear that it is so in a time of extraordinary scarcity. In a time of extraordinary scarcity, it is the interest of the public that the price should rise to such a degree as shall, if possible, be sufficient to keep the supply from being exhausted in any superior degree before the time when the fresh crop, assisted by such intermediate supplies as shall have been obtained from abroad, shall have come to its relief—the degree sufficient to produce the utmost retrenchment in the consumption, the utmost degree of economy, consistent with the preservation of the lives and healths of the inhabitants. That the price should rise thus high is also the interest of the grower and vender of the articles of subsistence. But at that point interests separate. It is not the interest of the public that the price should rise a single step beyond this mark. It is the interest of the grower and dealer that it should keep on rising above this mark as high as possible.

In the case of a moderate stock, what makes it the interest of the grower and the vender that the price should not rise above a certain mark, is that if it were to rise above the mark, the

diminution [of consumption] might be so great that by the commencement of the next harvest they might find a quantity of the old stock upon their hands. But even in this case it would not be the[ir] interest to let the commodity go out of their hands at a lower price, and consequently at a quicker rate, unless, in consequence of the final glut produced by the intervening diminution in the consumption, the ultimate fall of price were to become so great as to do more than take back again from them the intermediate profit derived from the intermediate artificial scarcity.

But in the case of an extraordinary scarcity, a decided and known deficiency, this check no longer holds: the whole, or a part scarce distinguishable from the whole, is necessary to keep the inhabitants alive: the whole must therefore be bought, at whatever price. By the poor themselves it could not have been bought at a price anything near so high as that at which we have seen it bought: but by the poor assisted by the rich it might be bought, and has been bought, at that price, and might have been bought at a price still higher: how much higher, it seems difficult to say. The quantity of money in the country might in former times, when money was gold and silver and the quantity of it limited,¹ have set a limit to this encrease, but now that money is paper, and the quantity of paper without limit, the limits of the quantity capable of being raised for the purchase of necessaries in the several hands through which they have to pass, are at any rate very ill defined.

The mention of the article of *money* as one among the falsely supposed cases in point against the limitation of the price of corn, brings to mind an incident which, at the time, was matter of some amusement to me. In combating I know not what unnamed antagonist, a newspaper conductor, who at the time had been standing forth as an advocate for a maximum, [found]² himself incommoded, as it should seem, by some reference that had been made to the *Defence of Usury*.* Having thus been brought into disgrace with the self-appointed diurnal censor, this harmless production, innocent certainly of any such crimes as were attempted to be fastened upon it, was to be tied about the necks [?] of the harpies, who were seen preying upon the country in the shape of farmers and corndealers, and with them consigned to the pit of infamy. Abhorrence with its consequences was to be the doom of

¹[The MS reads "unlimited".]

* *Times*, 20 Nov. 1800.

²[The MS reads "finding".]

those to whom we are indebted for the necessities of life, contempt was to be the portion of the "specious economist" in despite of whose "theoretical reveries about money, judges had continued all along to do their duty". Little did he think [that]¹ in this ebullition of his zeal to destroy an imagined adversary, he had been aiming so cruel a stroke against an advocate on the same side.

On what precise ground I had happened to be numbered among the condemners of a measure I had never so much as glanced at, is a question I can answer no otherwise than by conjecture. I had brought to view the interference of the Legislature in a case in which, for the reasons given, according to my humble conception of the matter, that interference might have as well been spared: or I had talked about levels, and about things finding their own level, observing that a level was a very proper thing to find, and that money, if left to itself, would stand a good chance for finding it. What helps to incline me to this conjecture is that gentlemen, when they have done me the honour to join with me, as it seemed to them, in opinion on this subject, have sometimes, whether for shortness or for ornament, referred in this way to a law of hydrostatics as the ground for it. Money, according to my opinion, I mean according to their edition of it, was a sort of thing that would find its own level, or that ought to be left to find [it]. Between what does naturally take place, and what ought to take place, there is indeed some difference: but it is a difference which moralists are apt enough to overlook, which they constantly overlook as often as they talk of the law of nature, and which it is quite as easy for them to overlook, if, instead of sufferings and enjoyments, they betake themselves to measuring of levels. In the play of convivial conversation, I have never had the inurbanity to requite a compliment with a criticism: but on a serious occasion, speaking with that sincerity and recollection that becomes a man who is addressing himself to the public, and to save a well-intended and, as I flattered myself, a harmless publication from being a cause of mischief and mistake, I must needs say that neither of those allusions will serve to convey a just conception of the principles on which the arguments of that book are grounded. Neither on that or any other occasion have I ever given, or shall I ever give, serpents for fish, sentiment or metaphor for argument. I have not, I never had, nor ever shall have, any horror, sentimental or anarchical, of the hand of govern-

¹[The MS in fact reads "than".]

ment. I leave it to Adam Smith, and the champions of the rights of man (for confusion of ideas will jumble together the best subjects and the worst citizens upon the same ground) to talk of invasions of natural liberty, and to give as a special argument against this or that law, an argument the effect of which would be to put a negative upon all laws. The interference of government, as often as in my humble view of the matter any the smallest ballance [?] on the side of advantage is the result, is an event I witness with altogether as much satisfaction as I should its forbearance, and with much more than I should its negligence. Neither in that book nor in any other book of mine will any expression be found by which any such association is attempted to be made between the idea of money and that of a level, [i.e.] between rates of interest and levels. I choose rather to remain unread than feed the reader with such arguments. The particles of a mass of fluid, the particles of a mass of water, have a propensity, when left to themselves, to range themselves upon the same level: human creatures have on their part a propensity to save their own lives: and when water in the search after a level is making its way too fast into a ship, pumps are employed by men to prevail on it to get the better of that propensity, and betake itself to a higher level, and this may serve as an argument in favour of a maximum to any gentleman who finds himself disposed to consider it as such.

If in the *Defence of Usury* there were any proposition that appeared to me as incompatible with any of those which on the present occasion have presented themselves to me as irrefragable, it would not cost me the smallest effort to give it up. Not having the honour to be Pope, I have no pretension to infallibility: having never had the honour to belong to any party, I am under no promise never to become wiser. The praise of corrigibility is so rare, that if a man could buy it honestly, it would be worth buying at almost any price. But in running over, upon this occasion, after an interval of I don't know how many years, that little book, I see not a single proposition that stands in contradiction to the measure here proposed, nor, on that or any other point, do I find any thing that, in point of honesty and sincerity, I could give up. With every imaginable goodness of intention, and every imaginable strength of mind, it is seldom that a man himself is the first to find out his own errors: and if in this instance I were to perceive any, it must be from my own finding out, for not a shadow of objection in all

these fourteen years has it been my good or bad fortune to hear of, made to any one point contained in it on the part of any body else, in print or in manuscript, in black and white or in conversation. Adam Smith who, if objectionable matter had been to be found in it, should naturally have been as able and as willing as most people to have found it, could find none, as I had the satisfaction of hearing from some common friends. Not but that in here and there an instance tokens of dissatisfaction and general intimations of the existence of objectionable matter in it have now and then reached my ears, but as no one specific objection was ever the result of the disposition thus manifested, the evidence afforded by the disposition is under that circumstance rather a proof of the impregnability of the opinions in question than of their being erroneous in any respect. A circumstance given as a proof of its erroneousness by the censor above spoken of is that the law continues unchanged, and judges continue punishing usurers, as before: as if the detection of an inveterate error, rooted as deep as error ever was in the understanding, in the passions, and in language, were fruits of the same years. Three circumstances would have been sufficient to account for it, were there not more in abundance: it would have raised the terms of war loans; the author has never been in Parliament; and he is still alive. Death or absence are conditions inseparable to every man who in politics, not being in power, would make any considerable change: absence may do something for a man in such a country as in France, but in England nothing will do for a man but death.*

A maximum law would be in possession of one good property at least—it would have the affections of the great body of the people for its support: all eyes would be open to any violation of the law: all tongues ready to convey intelligence of it, would the law but be so adjusted as to give an compleat indemnity, though it were but a bare indemnity, for the necessary expence of prosecution; reward over and above such indemnity would be scarcely necessary to the engaging men to stand forth in the capacity of prosecutors and informers.

This would be no inconsiderable advantage. The ignominy which unthinking minds, that is most minds, are so eager to fix upon the character of him who lends his services to the public in the character

*Death and absence are merits altogether indispensable; one or other can not any where be dispensed with.

of an informer, would with at least equal reason be heaped upon him who lends his services to the same law in the character of a judge. If the receiving payment for this service were a just cause of infamy, the judge should be the more infamous of the two, as being the best paid, [i.e.] as receiving the highest price. That because a man will speak the truth for a given sum, he will speak falsehood, he will committ perjury, and that sort of perjury by which punishment is made to fall upon the head of the innocent, for the same sum, is a proposition as absurd in a logical view as in a moral view it is scandalous and injurious. Perjury for saving of the guilty is but too abundant: of perjury for the condemnation of the innocent, a fair example would scarcely be to be found. The informer is never in fault, never deserves otherwise than well of his country, howsoever the legislator, his employer, may deserve ill of it. Yet among men in other respects not altogether void of rationality, nor decidedly desirous of seeing the bonds of society burst asunder or dissolved—those bonds which for their binding force depend altogether as much upon the prosecutor and informer as upon the judge—the denomination of the informer is, to the disgrace of the age, still a denomination of disgrace. It is a blessing for mankind wherever, as here, the kingdom of senseless and mischievous prejudice is divided against itself: by this means the wretch called an informer, who in another case would not be endurable, may obtain a sort of toleration, in consideration of the use he is of in bringing down the public vengeance upon the head of the still more obnoxious wretch, the seller of corn at a high price.

The antipathy against the vendors of corn at an excessive price would then for the first time have a rational ground, by having a determinate mark to fix upon—a determinate standard by which it would be possible for the first time to say what is, and what is not, an excessive price. Where there is no rule, there can be no transgression, says a rule of common sense. What rule, what possible mark to steer by, has hitherto been to be found? Not only the whole stock of corn, but the whole stock of national selfishness, is, if these angry economists are to be believed, monopolized by farmers and corndealers. Yet if each individual of these obnoxious classes were to discard all thought of his own welfare, and take the interest of the rest of the community for the sole standard of his conduct and object of his endeavours, how, as matters have stood hitherto, would he know what price to sell at? Among those who have been so active

in their exertions to heap infamy on his head, what individual is there who has so much as vouchsafed to inform him on what conditions he might have it in his power to save himself from it? Not a single farmer, not a dealer, to whom it has ever been possible to know at what price it might be in his power to purchase an exemption from the infamy thus poured on his head in such copious streams—no, not so much as from so much of it as depended upon the pen or the tongue of any one individual among those who have been thus liberal [?] of it. First, there was no deficiency, and thus long not the smallest enhancement of price was endurable: and those whose degree of assurance rises with the deficiency and doubtfulness of the evidence, were too sure of it to hear with patience of an opinion on the other side. When at length the existence of a deficiency great beyond all example was too notorious to be denied, and when remorse, remorse for having for so many months been wanting obloquy against high and low and exciting discontents upon false grounds, should have produced contrition and apologies from any breast susceptible of it—then at last some advance of price was admitted to be allowable in consideration of the deficiency. But what enhancement? above what price, and in what degree above that price? No answer to either of these questions: for in the nature of things it was impossible to give one: and still more were to be consigned to infamy for presuming to depart from a standard which had neither been set up nor attempted to be set up by any body: and the non-compliance with these non-existing rules was given as a mark of a most wide-spreading as well as unexampled degree of hard heartedness and depravity, in an age and country which has much still to learn in the book of wisdom, but of which charity, as far as the poor are concerned, is the characteristic excellence.

I mention thus much—I travel with the more freedom in this line of argument, that it may be seen whether any prepossession, any ill humour, any precipitancy, [or] adherence to formerly declared opinions, has had any share in the production of the sentiments here expressed, or rather of the arguments here submitted. I say the arguments: for it is for them to speak for themselves and to make whatever impression they are qualified to make by their intrinsic weight. As to opinion—[opinion] of that fixed and decided sort by which conduct is determined, it is matter of self-congratulation to me that, in my humble situation, I am not obliged to form

one, but if I were, judging from such lights as have as yet appeared to me, I am inclined to think it would be in favour of the maximum law. As to authority—if any one should be inclined to bestow the weight of a grain upon the opinion [here manifested], as adding a particle of force to the arguments more than they would appear¹ to possess, had the quarter from whence they came remained unknown, he will set so much more value on it than is set on it by the author himself, by him who entertains it.

I have studied for about these 30 or 40 years, and I think I have succeeded, so to order my mind as to be able to stop at any point between perfect conviction and absolute doubt, according to the apparent force of evidence in each case as it presents itself at the time.

In regard to this question I had remained in that state of self-conscious and quiet ignorance, in which I have never found any difficulty in remaining in regard to any question on which I had no particular motive for bestowing a thorough examination: [I had remained] suspended between what seemed to me to be a plain and *prima facie* conclusive argument on one side, and the force of authority—the opinions of the most esteemed writers, and of individuals whose opinions stood the highest in my own estimation—on the other; when happening to take up a pamphlet² which I had heard ascribed to a late Secretary of the Treasury³ and to open it at the place where the topic of a maximum is touched upon, and the arguments against the measure held up to view, I was struck at the same time with the number and variety of them, and with the inconclusiveness of the whole collection—for such it appeared to me. And is this all then, said I, that there is to say against the measure?—if so, then, as I have all along suspected, the horror in which it has been held by the best opinions, has nothing but prejudice, a too indiscriminate attachment to general principles, for its foundation: so that the leaning which, with or without sufficient cause, I have seen reason to entertain in favour of the measure, has been confirmed, if not altogether produced, by the arguments which in the eyes of the hon. gentleman [were] found a sufficient ground for reprobating it.

¹[The MS reads “appeared”.]

²[*A Temperate Discussion of the Causes which have led to the Present High Price of Bread. Addressed to the Plain Sense of the People.* London. Printed for J. Wright, Piccadilly. 1800. Pp. 11 and 43.]

³[Mr. Charles Long.]

Looking upon the observations presented by the hon. gentleman on that head as constituting a pretty compleat index to any arguments as might be urged on that side, though to my view of the matter the arguments themselves seemed to be yet to make, I will take the liberty of repeating them in the order in which they stand, accompanied with the respective reasons which have presented them to my view as being jointly as well as severally inconclusive.

[2. OBJECTIONS AND THEIR ANSWERS]

OBJECTION I

“It would encourage a consumption disproportionate to the supply, which can never be so well regulated as by a rising or a falling price.”

[OBSERVATIONS]¹

As to the encouragement here supposed to be given to the evil of a disproportionate consumption (an evil the reality of which I admitt to be indisputable), the expression is not strictly a correct one: and in the incorrectness of the expression will be found the source of the insufficiency of the argument. That a measure applying in this case an *encouragement* properly so called, viz. a positive encouragement, would be highly pernicious and plainly indefensible, is a proposition to which I accede most heartily.

That, while a scarcity exists, a diminution of consumption, in a degree all along proportionate to that scarcity, is altogether desirable, is a proposition of the truth of which I am fully sensible. It will on the other hand, I should suppose, be pretty generally admitted, that supposing the price, by whatever cause, to have risen to the pitch [theoretically] sufficient to produce such proportionate diminution of consumption,² a diminution of consumption [really] proportionate to the scarcity [will, notwithstanding, not be achieved in practice].

In a country in which the maintenance of such as are unable to maintain themselves is not made a matter of obligation, that is in any other country than Great Britain, it would be more proper

¹[The MS reads “Answer”, but in the following discussions the heading “Observations” is usually employed.]

²[This comma is interpolated.]

to say than South Britain, an unlimited encrease of price might, for aught I see to the contrary, operate to the very extent of it, in diminution of the quantity consumed. When arrived at such a pitch that a certain number of the most indigent were unable to purchase the least quantity sufficient for the continuation of their existence, that number would be *starved off*, and what otherwise would have been their share would have been left to add to the subsistence of the rest.

But under the existing Poor Laws, this effect is one that can not any where take place;¹ when once the price has risen to a certain mark, any encrease above that mark contributes little or nothing towards diminishing the quantity consumed; as to every thing above that mark, the sole effect of the encrease of price is to tax the rateable inhabitants, [i.e.] the contributors under the Poor Laws, by an assessment the produce of which is shared in some indeterminable proportion between the producers and the venders of the necessaries of life—between the farmers on one hand, and the corn dealers, millers, and butchers, with or without the bakers, on the other.

The only case therefore in which the proposition I am examining would be true, is a case which never has happened nor can ever happen in this country.

OBJECTION II

“It would discourage what it is so essential to promote, the importation from foreign parts.”

[OBSERVATIONS]

²This proposition possesses the same hypothetical truth, and the same real imperfection, as the foregoing.³ Discourage the importation from foreign parts it certainly would, in a case that might be supposed: as certainly it would not, in a case that has since been realized. If, notwithstanding the fixation, the price remained so high as to afford, for the whole mass of corn exportable from foreign countries, a profit greater than could be obtained by the sale of it within these respective countries, the whole of such exportable stock would in consequence be imported into this country, and no further encrease of the price could add any thing to the quantity of the relief obtainable from that source.

¹[This semicolon is interpolated.]

² ³[Put into brackets at a later date.]

No increase of the free price could be adequate to the purpose of affording a perfect assurance of the obtainment of this surplus quantity: because, being the result of speculation, the same cause which raised the price at one time might, by a sort of reflux of the public opinion on that head, sink it back again at another time.

The method taken by the Legislature was adequate to that same purpose: in theory it promised to be so, and it proved to be so in experience. A bounty was given, not a fixed one, but a variable one, calculated by eventual addition to the free price, to ensure the sufficiency of the aggregate price. This aggregate price was what was looked upon by government as adequate to the purpose of attracting into this country the whole of the quantity that was regarded as obtainable at any price. This aggregate price then is what might consistently have been fixed upon and made the maximum price, without incurring that part of the inconvenience at least which consists in diminishing the quantity obtainable from foreign parts.

This security, this supply, such as it was, and obtained as it was, was not certainly obtained without expence: it was not obtained without laying a proportionable burthen on the community: the advantage which [recommended] that direct mode of assessing the burthen, instead of the above-mentioned indirect one, is that it rested it on the broadest basis—on the whole community taken together, instead of that part of it which is composed of the contributors to the poor rates. Even supposing the contributors to be precisely the same persons, and assessed in precisely the same proportions in both cases, the burthen would still be higher, and that in a prodigious degree, in one case than in the other. The amount of it might, by being added on the whole or in part to that of the loan, be spread gently over a long series of successive years, instead of being heaped up upon one with a weight which might be so great as to be intolerable.

[OBJECTION] III

“The adoption of such a measure would not only assume that the actual price was much higher than the stock on hand warranted, but that the precise degree, in which it was higher, could be ascertained. Now this we all know to be impossible.”

OBSERVATIONS

This being a description, and no doubt a faithful one, of the idea of a maximum in the form in which it stood depicted in the mind [of] the hon. gentleman, in that character the accuracy of it is incontestable. It is neither impossible nor difficult to frame an idea of a measure, to which the name of a *maximum* law shall be applicable with indisputable propriety, and which shall at the same time be a most absurd, and impracticable, as well as mischievous, measure. That the maximum of the hon. gentleman's [imagination],¹ the phantom which he has set up and combated, is this and every thing else he says of it, is what I see no reason to dispute. What [I] am inclined to suspect is, that his maximum is not the maximum of any one person who has ever manifested his approbation of the sort of measure characterizable by that name: what I am certain of is, that it is not *mine*. What mine is will be seen in another place.

[OBJECTION] IV

"But would such a measure be just? The farmer sowed his corn in the confidence that he was to have the largest price he could get for it."

OBSERVATIONS

The proposition is of the interrogative kind, and as such is certainly not assailable by any direct mode of attack, [i.e.] by the imputation of error. The question, when construed into the allegation implied with it, must, however, be construed, I should suppose, into some such proposition as the following: viz. that it is inconsistent with justice for the Legislature to take any measure the effect of which would be to debar the farmer from any price, how high soever, which he might have been confident of obtaining, had it not been [for] the measure: and that, whatever may have been the expectation of the farmer (any farmer) on this score, no legislative measure which should have in any degree the effect of disappointing it, would be reconcilable with the principles of justice.

If any one were to say that, after and notwithstanding the fixation of the highest lawful price, the farmer would still have the largest price he could get for it, inasmuch as [he] would not be able to get any larger price than the law allowed, it might be

¹[The MS again reads "maximum".]

replied on the part of the hon. gentleman that the answer is no better than a quibble, being an answer to the words he happens to have employed, and not to the words which would have been expressive with propriety of the proposition he must be understood from the turn of the argument to have had in view. This makes it necessary to substitute to the expression which the hon. gentleman has used, some expression which, to convey an adequate submission of his own meaning, and to do justice to his own argument, it may be supposed he should have used—a task not altogether without difficulty, and, on the part of an antagonist, of too much delicacy to be a desirable one.

The thing to be done consists in the putting into the mouth of the farmer a claim which shall not be an unreasonable one, that is, which shall be grounded on observation and experience of the line of conduct habitually pursued by the Legislature, [and] shall go to the putting a negative to all interference on the part of the Legislature for the purpose of rendering the price of the necessaries of life lower than it would be without such interference, or at any rate upon every endeavour which should seek its accomplishment by measures taken in the interval between the time of the sowing of the seed, and that of the reaping of the produce.

As to any expectations that may have happened to have been entertained by A and B through mere ignorance, as to any expectations that have had any other grounds than that of the line of conduct actually pursued in this behalf by the Legislature, it would be injustice to the hon[ourable] gentleman to suppose that it was his intention to point out any such expectations as a standard to which the Legislature ought to hold itself bound to conform its measures.

Whatever this or that farmer may happen to have been confident of—a matter of fact as unascertainable in its own nature as it would be irrelevant, even supposing it to be ascertained—the proper standard for the proceedings of the Legislature in *succeeding* instances will not be denied (I should suppose) by the hon. gentleman to be the proceedings of the same authority in relation to the same object in *preceding* instances.

Taking the practice of the Legislature for the standard, what will be the result?—that there is no time at which the farmer could have had any reasonable ground for any such confidence. Has it not been a constant object of the Legislature to keep prices of all

sorts of articles, but more particularly of the necessities of life, within what have been looked upon as the bounds of general utility? To discuss the propriety of the measures taken in this view would be an operation as irrelevant as it would be arduous and voluminous: the matter of fact, the habit of pursuing such measures, is the only point which is at present to the purpose.

In particular, has it not been a matter of frequent practice to give encouragement in all imaginable ways to the production of rival articles, and to the importation, not only of rival articles, but of articles of the same sort: to the production of potatoes for example, and to the importation of provisions of all sorts, and even of wheat itself, where wheat has been the article the dearth of which was more particularly the object of apprehension?

On a point thus open to observation, I will not fill up the page with references: I will even throw¹ myself on the indulgence of the reader for not filling up my time with hunting for [them]: even if no such were to be found, the conclusion would not be much affected by their absence. On a point like this, the *argumentum ad hominem* will not only be much shorter, but, I should suppose, sufficiently pertinent and conclusive. Though no such precedent were to be found, the hon. gentleman himself would not dispute the propriety of making one. He does more than admitt the propriety of it, he assumes it and takes credit for the measures that are the result. Within six pages after this* in which the censure of injustice is passed upon all legislative interference for the purpose of preventing the farmer from receiving for his corn the highest price that could be got for it, we are informed by the hon. gentleman, as matter of consolation to the public, and certainly not as matter of dishonour on the score of justice, or any other, to the authors of the measure, that "supplies (it is known) may be obtained from foreign parts, and the measure of proposing to Parliament an encouraging bounty for the purpose of bringing them to this country is determined upon" . . . "and the liberal encouragement held out by the East India Company to the importers of rice, will furnish (he adds) a large supply of provision before the next harvest".

But if instead of the 20s a bushel which he might otherwise have got for his wheat, the farmer is reduced to 10s, what difference does it make to him whether it be by one mode of interference on the part of the Legislature, or by another? Travel the country

¹[The MS reads "through".]

*P. 44.

round and enquire of each farmer which arrangement he would prefer—that his price should be reduced to 10s by a maximum law, or to 10s by importation: which of the two proposals does the hon. gentleman suppose would be embraced by the majority of farmers?

The imputation of injustice would have a somewhat stronger ground—though even then not a sufficient ground—if the expectation of the farmer could be supposed to have pointed, at the sowing time, or to speak with more precision, at the time of his determining upon the quantity of ground to be thus employed, upon a mark higher than that of the price proposed to be fixed upon as the maximum price.

But even for this supposition the ground would be found wanting; at least it might, and, according to my conception of the proper price for a maximum, would be removed in the fixation of such a price. It is indeed of the essence of a proper maximum price, according to my conception of it, and would be comprized under the definition of it, that it should not be so low as to take from the farmer any of that profit which, from any recollection he could have had of former years, not being years of extreme scarcity, he could have had reason to expect at the point of time above indicated.¹

Let us compare in another point of view the condition of the farmer under the sort of measure the hon. gentleman recommends, and under that which he reprobates as indefensible. Price for price, whether the reduction were brought about by the one measure or the other, would to the farmer or any one else, whose profit were reduced by it, be, as hath been observed, pretty much the same. But the difference lies in this. The maximum, whatever it does for the consumer, does thus much for the grower, that it sets limits to the mark to which his profit shall be reduced by the hand of government: whereas the aim and effect of the encouragement given to importation of foreign corn is to reduce his profit without limit and without mercy. I do not say that it is so much the worse for the consumer, that is, for the public at large; but, in this point of view at least, it is so much the worse for the grower and dealer, whose interest the hon. gentleman is thus taking care of. The damage he would protect them against, is a limited damage: the damage he subjects them to is an unlimited one.

¹[This last clause precedes in the MS the words “he could have had reason to expect”; the position has been changed to make the sentence clearer.]

[OBJECTION] V

“You may force him, it is true, to sell it at a certain rate, but you can not force him to sow any more. In the present state of things, those who think the profits of the farmer have been most exorbitant, should surely hesitate before they take a step which, though it might relieve the want of the moment, would discourage the general agriculture of the country.”

OBSERVATIONS

The supposed discouragement to future production, if indeed in the case in question it had place, would be a peremptory bar to the measure: it would be ripping up the hen to get the golden eggs all at once.

But in this instance as in the one which has just passed under review, the argument turns upon the supposition of the maximum's being fixed at a mark, where there would be no need of placing it, and where I can scarce think that¹ any person conspicuous enough to have attracted the notice of the hon. gentleman would have thought of placing it. The argument is grounded on the supposition of a price so low as to deprive the farmer of some portion of profit, the expectation of which could reasonably be supposed to have been necessary to induce him to sow the quantity of seed eventually determined upon and sown accordingly: fix the price at any higher mark, and the argument loses its application. The measure is first supposed to be an absurd one, and then, from the supposition, proved to be so.

What the hon. gentleman attacks and triumphs over is what nobody, I should suppose and hope, would defend: what I am sure I should not. It is the creature of his own imagination, strengthened with care enough, because created for the purpose. I have submitted to him one of mine: and once more I invite him to try his hand upon it.

[OBJECTION] VI

“It is not enough to say, that the *maximum* shall be set so high, that, generally speaking, the farmer shall be a gainer”—(Certainly—but quere, was this ever said by any body?)—“What (continues the hon. gentleman) will that man say to your average, whose crop has almost totally failed, and who, even at the very high price of

¹[The MS in fact reads “then”.]

the market, may possibly be a loser? Will you make him a greater loser by arbitrarily reducing the price of his corn?"

[OBSERVATIONS]

Thus far the hon. gentleman: for my own part, I must confess, I see not what true light can be thrown on the subject by a conversation between a man in a case from which nothing can be concluded, and a supposed simpleton of a legislator, such an one as the man would never meet with.

Here as before, the hon. gentleman having wrapped up his argument in an interrogation, at the peril of the charge of misconception and misrepresentation, I find myself obliged to make a proposition for the hon. gentleman which I do with all imaginable diffidence and reluctance, prepared and resolved to discard it the very instant he disowns it: protesting most sincerely that if that be not what he means, I am altogether unable to conjecture what else it can be.

This [proposition] is, that the price of corn ought at all times to be of such a height, as to afford something not much less than living profit to a farmer "whose crop has almost totally failed".* This, if the hon[ourable] gentleman will take the trouble to take pen and ink to it, or, even without pen and ink, bestow a little thought upon it in the line of calculation, is what he will find rather an expensive mode of insurance.

It may be rejected as no better than an argument *ad hominem*, if I were to call to mind upon this occasion as upon a former, that the case of the scanty-crop farmers which is here regarded as the prevailing one [and] which is here assumed as having a claim to be the measure and standard of the desirable rate of price, is thrown out of the question, that the cause of this unfortunate class so decide[d]ly taken up and patronized, is in less than six pages after given up and deserted. Of two inconsistent propositions, the hon. gentleman will at all times be at liberty to adhere to which he pleases; though he can not well adhere to both at the same time, he may at any time, on condition of giving up the one, adhere to either. On the terms of acknowledging that the measure we have seen him announcing with complacency, and which on that ground I will venture till corrected to call his measure—the measure of

*I could wish the proposition were more determinate: but had I made it so, I might have been accused, not without ground, of misrepresenting it,

encouraging importation for the express purpose of keeping down the price—upon the terms, I say, of giving up this measure of his, he may at any time abide by this argument which is more particularly and exclusively his own. He may say, happen what will to the consumers, I will take care of the unfortunate part of the farmers, I will bring them whole at any rate.

This decision would be a humane one: but as partial humanity must have its limits, let us in this instance catch some sort of glance at the effect of it upon the whole.

Precision does not appear upon the occasion of this pamphlet to have been in any considerable degree the hon. gentleman's aim, at least so far as the aim may be judged of by the effect. If it had been, a few figures, I mean of arithmetic, not of speech, would in that point of view have been more satisfactory than the interrogations, and the almost total failure of crops, and the possibility, and nothing more than possibility, of a loss, which under the supposed excess of price is supposed to be [the] result of the almost total failure. Had it not been for the context, if I had been called upon to give a picture of the hon. gentleman's almost total failure, I should have represented [it] by some such deficiency as that of nine tenths: but as the loss supposed is such an one as the hon. gentleman would wish to see made up by the price, I will, in the midst of my perplexity, protesting it to be merely for illustration, pitch upon a failure of considerably less magnitude—a failure corresponding for example to a deficiency of three fourths. Rejecting the quantity representative of the value of the hon. gentleman's possibility, as a quantity too troublesome to deal with, the price to be allowed of, and wished for for the purpose of saving harmless the unfortunate class which the hon. gentleman has taken under his protection, will be a price about four times as great as the average or ordinary price. Three times the amount of the whole price or value of the national crop of corn (say 8 millions of quarters at 50s, which makes 20 millions)—three times this 20 millions, making 60 millions, is the amount of the tax he would be for imposing upon the nation in quality of consumers, for the purpose of affording the proposed indemnification to these his *protégés*.

Admitting the sort of insurance to be just in principle, the mode, I am inclined to think, would be looked upon as rather an expensive one. To establish a fund for the making up an average profit, or something no more than the value of a possibility of being so, in

favour of all growers whose crops should, by whatever cause, have proved inferior to that profit by a given amount, is a measure which I will not take upon myself to decide upon in point of utility; but so far as novelty enters into the composition of merit, its merit appears indisputable. But even in point of utility thus much, I trust, may be said of it at any rate, that as a measure of economy it would be preferable to the virtual tax of 60 millions or some such matter, in favour of which the humanity of the hon. gentleman appears at one time at least to have leaned.

As to the word *arbitrarily*, in the passage where by a figure, not of arithmetic, but of speech, he examines his antagonist upon interrogations, and asks him whether he would make the farmer a loser by *arbitrarily* reducing the price of his corn, the examinant, I should conceive, need not be in any great difficulty about the answer: the authority, he may say, is the same in the one case as in the other: it is the same authority you call in to reduce the price of the farmer's corn by bounties upon importation: you do not suppose it will act arbitrarily when it forces down the price of home grown corn by bounties upon foreign corn: you have no right to suppose it will act arbitrarily if it were to fix the price by a prohibition put upon higher prices. Parliament being the tool you have to work with, you must take it as it is, and in both places make the most of it: you can not have it a good Parliament in one page, and an arbitrary one in another.

[OBJECTION] VII

“The profits of the farmer, from the high price of the commodities in which he deals, have certainly been very great; but it must not be forgotten that the principal cause of the price being so high is, that in general his crop has been so small; and those who in recommending a *maximum* consider simply what would be a sufficient profit to the farmer, see only a very small part of the question which they pretend to examine!”

OBSERVATIONS

Setting aside the expression of the sentiment entertained by the hon. gentleman towards those whose misfortune it is not to view the subject in the same point of view in which it has presented itself to his eyes, I am not able to frame any very clear conception of the precise import of this paragraph, or of its bearing in relation

to those that have gone before it. Must, must not, according to a nursery proverb, are words for the King, but as the hon. gentleman, *virtute officii* or otherwise, by virtue of office, or by some other virtue, has taken them into his possession, then for any claim I can presume to put in to the use of them, they rest: for my own part, speaking with that sort and degree of submission with which alone it is competent or customary for me to speak, I will venture so far to join my humble suffrage to the decision of the hon. gentleman as to say that the truth thus brought forward by him (for such it appears to me) respecting the connection between the deficiency of the crop, [i.e. the] quantity wanting, and the dearness of the remainder, [i.e. of] what there is, is a truth that ought not to be forgotten. I will venture still further, viz. so far as to say, that a truth so true does not appear to me to be in any great danger of being forgotten: who it is that should have forgotten it, is what I can not easily conceive. That there was a time when some disputed it, is what I observe from some of the documents of that day: but what a man is occupied in disputing seems, according to my conception of the matter, to be still less in danger of being forgotten by him, than what he has admitted.

For my own part I bow down to the hon. gentleman's injunction, and find no difficulty in following with my compliance: but having done so, how to make application of it in such manner as to see any more in the matter than had presented itself to me before, is beyond my ability. In speaking of such degree of augmentation in the price as is required by the deficiency in the crop, does he mean to say this much and no more, viz. that the aggregate of the prices paid for the scanty crop ought to be equal, but not more than equal, to what would be the aggregate of the prices paid for a full or average crop, that is, that, supposing a fourth wanting, the price of the remainder should be a third higher than it would be if not encreased? This can hardly be the meaning of the hon. gentleman: for that would be as much as to admitt, by implication, the expediency of a maximum that should be set so high as not to take any thing from such confessedly sufficient price. But if this be not his meaning, what then is? It is real perplexity, and not a rhetorical ambition, that has caused the interrogatory form here employed instead of the assertive. If I presume to ask the hon. gentleman what on this occasion his meaning is, it is because I really do not know.

[OBJECTION VIII]¹

“Another objection to a *maximum* is, that it has always a great tendency to become a *minimum*. If you tell a man, he shall not sell the article in which he deals for more than a certain price, he will do his utmost not to sell it for less, and if any thing could produce a combination among corn-dealers, and furnish them with a pretence for combining, it would be this very measure.”

OBSERVATIONS

“If you tell a man, he shall not sell the article in which he deals for more than a certain price, he will do his utmost not to sell it for less.” Admitted: if you tell him so, he will get as much as he can for it: which is precisely what he will do, if you tell him nothing about the matter. What is it that a man engages or continues in trade for, but to buy as cheap as he can, and sell as dear as he can? What is the view this argument presents us with of human nature?—that, in the common course of dealing, the way of a dealer is to reject the greater profit, and prefer the smaller: but that if government, for the sake of [the] public, attempts to confine his profit within bounds, to limit it by bounds fixed any where, then, out of spite, he takes it into his head to prefer two shillings to one, it being what had never occurred to him before. Would it easily have been guessed that it was from the Treasury Member that such a picture had been sketched of the commercial world?

... “and if any thing could produce a combination among corn-dealers, and furnish them with a pretext for combining, it would be this very measure”.

In this part of the argument [four]² things are assumed: that combination among corn-dealers is practicable—that it waits for nothing but a pretext—but that it does wait for a pretext—and that this is the pretext it waits for.

In regard to this first point, the leaning of my opinion is pretty

¹[This objection, like the foregoing, is numbered “7” in the MS. As the brouillon shows, Bentham first thought to discern eight distinct arguments in Long’s pamphlet; later, however, he found nine different points—the objection numbered “4” in the above text being the additional one. This change of plan made a new numbering of the objections necessary which Bentham did not carry out.]

²[The MS spoke originally of “two things”. Later, Bentham wrote “three” over the “two”. But he has, in fact, four points in view, and speaks accordingly after the discussion of the first, of “three remaining propositions”.]

strongly on the side of the better and more steady opinion of the hon. gentleman. Till I find myself compelled by some express evidence to believe in the existence of a combination amongst such parties, I shall, for the reasons given by Adam Smith¹ and others, continue to disbelieve in it, not regarding any price to which corn has ever risen, or can ever rise, as affording the smallest proof of it. But as in the eyes of the hon. gentleman the existence of any such combination appears as improbable as in those of any body who has considered it, the reasoning, I am inclined to think, would not be the less legitimate or conclusive, [or at any rate] would not be much the weaker, if this point were to be left out of it. Those who think differently need not feel much reluctance at the idea of admitting that in the case he puts, the consequences he paints might follow—he having first admitted it to be a case that can never happen. Make what he will of it, he can not have it true and false at the same time.

As to the three remaining propositions, that corn-dealers in their propensity to combine, wait for nothing but a pretence to bring it into act, that they do wait for a pretence, and that this is the pretence they wait for, the light in which these propositions present themselves to me has been already given above. The principle of competition is what the public is at all times indebted for the price being no higher than it is at that same point of time. What there is in the fixation of any particular price that shall deprive that principle of all force and value, is more than I can see. It is because he can get (as he thinks) no higher price, that a man takes on such occasion what he does take: and whether the fixation exist or no, the same necessity will (I am inclined to think) be on each occasion productive of the same acquiescence.

A thing that sometimes happens, and I should suppose not unfrequently, is that a man, not being able to get the price he expected, takes his leave of the market, leaving his goods unsold. But what is his motive for so doing?—an expectation that another time he may be able to get a better price. But in the supposed case of a fixation that motive can not exist: for the utmost price is fixed and known to every body: it is known to every body that a greater is not to be had.

Did the hon. gentleman ever know a single instance in the whole course of his life where a trader, having it in his option [?] to sell

¹[Cf. *Wealth of Nations*, bk. IV, ch. V.]

a thing for 2s or for 1s, preferred the one? He might have met with a hundred, and they would be nothing to the purpose. Humanity, policy, vanity, caprice, all such accidents are altogether out of the question: the question is about the natural and habitual state of things. If one man out of ten were to take a less price when he could get a greater, what effect would that have on the general price—the aggregate price?

Of this argument it may perhaps be observed with not much less truth than of a preceding one, that no small part of the force of it lies in the impropriety of the terms. Maximum price implies a number of prices of which that price is, or may be, the greatest. Minimum [price] in like manner implies a number of prices, of which that price is, or may be, the least. But the result thus pointed out by the honourable gentleman as an object of apprehension is a result which, by the supposition he himself sets out with, is impossible. Of the maximum, if it have its effect, the effect is to exclude every greater price. Of a law to this purpose, as of a law for any other purpose, it may be supposed in the way of argument that it shall prove nugatory and ineffective *in toto*, or in any inferior degree: but this is not among the suppositions put by the hon. gentleman, unless a glance thus oblique should be construed into a way of putting it: but if it be, it is a supposition altogether naked, thrown down without support.

The term solicited [?] by the hon. gentleman imports that what is rendered the highest of all prices, becomes thereby *ex vi termini* the lowest—that it not only kills all inferior prices, but begets superior ones. But this, if it be not a fact, is a misconception of the hon[ourable] gentleman's. When the worst comes to the worst, the utmost magnitude the maximum price can arrive at, is that of being [the greatest]. Being as great as the greatest does not make it any greater. The most famous of elephants, he who was the biggest in the whole world except himself, was as big as himself, but, big as he was, he was no bigger.

One case may here be mentioned, as capable of being cited, though not cited by the hon. gentleman, as lending countenance to the supposition that a maximum may be fatal to all inferior prices. This is the case of the assize of bread, [i.e.] of the price of bread as fixed by the law in certain places according to the standard pitched upon for that purpose. But in this case the price is always so low, that there is no field left in which competition can find

room to exercise itself. It is made purposely as near as may be to the lowest rate of profit which is capable or supposed [to be capable] of finding acceptance. If in any instance it be not absolutely at the mark of the very lowest price that would be accepted of, it is at any rate so near the mark, that the difference—in that sort of general view which the eye of the public is in the habit of bestowing—would not be perceptible. Three or four per Cent perhaps or some such matter: but what is such a scale of variation in comparison of an interval of cent per Cent: an interval which in the case of bread-corn might well be left between the greatest allowed price and the living-profit price, and yet afford a prodigious relief when compared with the mark to which the actual prices have so lately been seen to rise.

Even under the maximum, low as it is fixed by the existing laws, competition, or in other words reduction, though in point of place but partial, is by no means without examples. The experiment made by Mr Potter¹ upon a large scale will be in the recollection of some readers, who may be more distinctly apprized of its bearing in relation to this question, than I can pretend to be. But in little shops here and there I have every now and then been witness to what may be called gallypot experiments of the same kind. Where the utmost scale of variation is so small, the wonder will not be great if such experiments should not be found to answer. A profession of this sort will not be generally regarded without a degree of diffidence which can not be surmounted at any other price than the trouble of constant weighing. But an operation of this sort requires a set of implements which some of the poorest class are not generally in possession of, and to those above them would produce a degree of trouble in their estimation more than equivalent to the profit [or rather] to the saving to be made by it: nor will a man who has dealt with the same baker or other tradesman for years, quit him on the sudden for an adventurer who may be gone tomorrow.

[OBJECTION IX]²

“If it were worth pursuing the point further, it might be shewn that the difficulties in the execution of it would be insurmountable. The same *maximum* could not apply universally throughout the kingdom, nor could it be set correctly in every different place,

¹[Not identified.]

²[The MS in fact reads “8”.]

according to all the variety of circumstances which operate upon price.”

OBSERVATIONS

If, what the hon[ourable] gentleman appears so confident of having it in his power to shew and forebore to shew, only because in his view of the matter it was not worth shewing, [if, in fact, this] had been shewn, this one argument might have stood in the place of all the rest.—The same *maximum* not apply universally throughout the Kingdom?—why not? what should hinder it? Had he said that different maximums could not on the extraordinary occasion in question be applied to all the different places of the Kingdom as exhibit in ordinary years so many differences in regard to price, and that in such manner as to make the extraordinary fixed price be in the same proportion every where to the ordinary natural one: had this been the measure reprobated on the score of impracticability, I should have found no difficulty in acceding to the rejection: that the allowed price of bread-corn could not be adjusted to the living-profit price of bread-corn in every place of the Kingdom with as much correctness as in the Metropolis the allowed price of bread is to the market price of bread-corn, is a proposition the truth of which I see no reason for disputing. Whether it would be worth while to attempt to make any difference at all between place and place, between the place which gives upon an average the lowest price, and the place which gives upon an average the highest price, is more than at present, if ever, I can regard myself as competent to pronounce. But the question is not whether a fixation of this sort could be performed with the utmost degree of correctness that could be wished, but whether it could be performed at all. The hon[ourable] gentleman’s answer is most decidedly, and without limitation or condition, in the negative: if therefore any one fixed price be pointed out, that shall be lower than the highest free price known, and shall at the same time stand clear of the hon. gentleman’s arguments, the whole apparatus of them falls to the ground. I will venture for illustration sake to name a price in this view: and let it be the exact double of the highest ordinary price, at the place at which that price is highest. That a price thus high would not be sufficiently correct to do as much good as the fixation of the price of bread may, for any thing that will be shewn to the contrary, have done, is evident enough—but because it is out of our power

to do all the good we wish and have in view, is that a reason for doing none?

[FINAL OBSERVATIONS ON THE HON. GENTLEMAN'S ARGUMENTS]

In political economy, one of the most copious sources of error is a blind and sordid greediness grasping at every thing, not enduring to part with any thing, straining to unite advantages essentially incompatible. Goods are to be bought of foreigners, but the money which should pay for them is not to be exported in return. Capital is to be obtained from foreigners, in alternation of the waste produced by war loans, but the remuneration for it in the way of annuities, and the restitution of it in the redemption of the annuities, is to be deplored and fought against as a grievance.

For my part, without professing temperance on my title page, I will so far vye with the hon. gentleman in the practice of that virtue, as to give it as an opinion to which I have a strong leaning that the profession thus made by implication, the profession of having bestowed upon the subject a real examination, is a sincere one, and not a pretence, and that in this pamphlet will be found the whole fruit of such sort and degree of examination as a mind like that of the hon. gentleman was framed for bestowing upon that subject or any other.

Should the measure I have thus ventured to take of it prove an erroneous one, the means of rectifying it are compleatly in the hands of the hon. gentleman. He is now left free to pursue this or any other line of study, free from those interruptions which he found so troublesome in office.¹ He is in full possession of that leisure which it depends upon him to convert into literary leisure: and if the dignity which in some instances becomes the accompaniment of leisure in the retreats of public men, has not yet found its way into his, rewards of a nature more substantial than dignity, and which in some men's scale weigh heavier, [have]² not been thus tardy in finding their way into his lap.

The public, or at least those who, having the property of the public at their disposal, have thought fit to make this use of it, has given itself [*sic*] some title to such services as the hon[oura]ble gentleman may at his leisure feel himself disposed to render in

¹[Long had resigned his position of Joint Secretary to the Treasury earlier in the year when Pitt was dismissed.]

²[The MS reads "has".]

return: and as the subject which he has already chosen is a subject of first rate importance—and of so much importance in his eyes as to have received the benefit of those moments which in his eyes did not seem ill bestowed when borrowed from more immediate official duties, [that is] from duties of more perfect obligation—and as the subject is still on the carpet, exciting as much interest as ever, whatever claim the public had to the benefit of his labours in that line, will hardly, I should suppose, be regarded as weakened by subsequent events.

Excitation has [often led to]¹ creation—miracles have been wrought by a stimulus well applied: by terror, speech has been given to the dumb: and if any thing started in the course of this pamphlet should form the means of engaging the hon[ourable] gentleman to convert his index into a book, they will not have been written in vain, and the public, in whatever proportions it may vouchsafe to divide the credit of it between us, will have the benefit of it.

The motives by which the one of us may have been induced to call forth the exertion, and the other to exhibit it, are among those topics which the public is but too fond of amusing itself with, but which, in the eye of reason, are beside as well as beneath its notice.

[3. PRECEDENTS AND SUPPOSED PRECEDENTS]

What is curious enough—the measure, so far mere legislation independent of execution is concerned, is not so much as a novelty. A new law would not be necessary, howsoever in respect of matters of detail it might be expedient. An Act of Parliament remains still in force (25 Hen. 8 c. 2) by which powers are given to certain great officers of state there named, for setting a price upon every thing that can be eat.

For my own part, the store I set upon this precedent is not, I acknowledge, very great. The powers exist: but of their having ever been executed, no instance that I know of is to be found. The argument from its non-user seems at least a match for the argument from its existence. The epithet *troppo antico*, applied by men of taste to pictures, may perhaps, when viewed by the eye of judgment, be looked upon as applicable to a precedent drawn from so remote an age, and [from a]² reign, at the same time so copious in precedents,

¹[Illegible in the MS.]

²[The MS reads “for”.]

and so scanty in precedents fit for imitation. Such as it is, however, there it is: and the argument *ex novitate* is at any rate done away by it.

At the time of the American troubles, the reign of Hen. 8 was resorted to for [a precedent]. But that was constitutional law: and this belongs to the department of political economy. In constitutional law, the more ancient the precedent, so it have nothing particularly objectionable in it, the better: but in political economy, the older, the more remote from the circumstances as well as lights of modern times.

My aim in these pages being, not the gaining of a point, but the disentanglement of useful truth, on which side soever it may be to be found, arguments that appear inconclusive must on whatever side they present themselves, be equally held up to view.

Cases of various kinds have been pointed out as precedents of a *maximum* law: they are so of a *maximum*, [or rather] of a fixation of prices, taken at large: but they do not, any of them, appear to be in point as to come up to the case when applied to the case of corn.

The nearest case, to a superficial view, is that of the assize of bread: and to a superficial view, it is indeed a very near one: the subject matter being the same individual article, only in different states. But in point of principle, the analogy is altogether wanting. Of the fixation proposed for the price of corn the effect would be to prevent it from rising above a certain mark, and above the mark so fixed upon for that purpose. The sort of fixation in use in regard to bread leaves the price free in effect to rise to any height [*sic*]. What it determines is, not the absolute price of bread, but only its proportion to another price, the price of corn or flour, which itself is left free to rise to any height. In the case of corn, the cause of [the] difficulty is the danger of not leaving the price high enough at all times and in all places to afford to the possessor of the corn, whether grower or dealer, a profit sufficient to induce him to grow at the next seed time, or purchase at the harvest following the next seed time, as much as the one would have grown, or the other have purchased otherwise. In the case of the fixation of the price of bread, this difficulty has no place. What under the fixation will be the profit of the baker, is correctly ascertainable: it is the same as it is known will be sufficient to ensure his continuing to carry on his trade, and carry it on to the utmost, because it always has been so.

2. Another case is that of salt. By a Statute of King William, re-enacted in the main as to this point by the late general Salt-Act (38 G. 3, c. 89 § 143), power is given to certain authorities to fix the price of that necessary, or almost necessary, article. In this case the superficial analogy is little less close than in the preceding one. But here too the substantial analogy is almost equally deficient. In the case of corn the quantum of profit is continually changing, as between place and place as well as between time and time, nor at any place or any time ascertainable, unless with considerable difficulty, and subject to considerable uncertainty: not only the quantity and quality of the product being liable to considerable changes, but the quantity of labour necessary to obtain the product obtainable at each time and place being also liable to change and fluctuation, as well as the quantity of money necessary to be paid for that labour: whereas in the case of salt, all these points are ascertainable with still greater precision than in the case of bread.

3. Another case, or rather cluster of cases, is that of the wages of labour in various branches, and indeed the principal branches, of industry: that of the labourers in husbandry—of those by whose labour the very article in question, corn, is amongst the articles produced—[included]. But even her[e] the analogy is but superficial, as before. No such difficulties exist here, as those which have just been indicated in the case of bread. What has been sufficient in all times past, those the nearest to the present among the rest, may afford a standard, such an one as can not lead a man very wide of the truth, in regard to those that are immediately to come.

Not that in this case the subject has not its difficulties. The power is accordingly used but sparingly: and the difficulties that are sure to attend the use of it in this case, where they are so much less considerable than in the case of corn, are such as seem to render the complexion of the precedent rather unfavourable than otherwise to the extension of the power to the present case.

In the instance of some species of labour indeed, it is habitually made use of and with no very great and decided advantage; yet at the worst with little, if any, bad effect. Taylors are the instance of chief note. But here, besides that the standard of sufficiency is determinable by experience with so much accuracy, the evil consequences in case of a too low fixation are in comparison in the first instance so trivial, and upon experience the damage so easily reparable, that the parallelism between this case and that of corn

altogether fails. Suppose a few taylors were to quit their occupation in consequence, what would be the result?—that a few individuals might have [to wait] a little the longer for their cloaths, or at the worst, have them home made in a shape not quite so elegant and agreeable.

In a word, the broad line of distinction between the fixation of a price for corn, and the fixation of a price for such an article as salt, or for the wages of labour of this or that species, or even of the wages of labour in general, is this—that in these latter cases no man's subsistence can be affected, since, though by an injudicious or unfortunate use of the powers of the law, particular individuals might for a time be debarred from the faculty of deriving subsistence from their own labour, they are sure of subsistence from the labour of others, under the Poor Laws: whereas in the case of a fixation of the price of corn, every man's subsistence is alike at stake.

The last case which I shall mention of those which have been quoted as being in point with reference to the fixation of the price of corn, is that of the anti-usury laws—the laws which have for their object the fixing in certain cases the price paid in future money for present money.

In the reference made to it by those, by whom it is quoted for this purpose, two propositions have been included: 1. that it is in point with regard to the fixation of the price of corn, and 2. that the effects of the law have been beneficial upon the whole. On both these propositions I can do no otherwise than put a negative.

The analogy is not near so strong in this case as in any of those others. Subsistence is here altogether out of the question: as well in regard to the matter of subsistence (consisting principally of corn), as in regard to money paid on the score of wages, the means of purchasing it. The anti-usury laws do not extend to all modes of buying present with future money. Society might subsist, production and exchange might go on under a prohibition of all recompense in the name of interest for the use of money; for in catholic countries they have for ages gone on under that restraint. The current price—that *quaesitum* which is so rapidly variable and so difficultly ascertainable in the case of corn—is as slowly variable and easily ascertainable in the case of borrowed money. In the case of borrowed money, the Legislature, always having in view that current price, has generally in its fixations kept a small matter above that current price: so that in respect of the great bulk of the

instances in which money has been borrowed or wished to be borrowed by persons possessing good security, the state of things has been as it would have been, had there been no such law.

Next as to the question of expediency. On this head I will take the opportunity of adding a few observations, though I find nothing to retract from what has been before the public for these fourteen years in the *Defence of Usury*.

The laws on this head, being grounded on incomplete conceptions and false views, have completely failed in all their purposes: but by mere accident, and without having in contemplation any such thing, they have given birth to some good effects, in compensation, or part compensation, for the mischief they have produced.

The object principally in view seems to have been the protection of indigence, at least on the part of the superior classes: in this instance they have so much worse than simply miscarried that they have not simply failed of producing the good they aimed at, but have produced the opposite mischief in an enormous though incalculable degree: they have driven the indigent, [i.e. the] object of their intended protection, either to purchase relief upon more disadvantageous terms, or have debarred him from it altogether.*

In the same way they have bruised, and doubtless in many and many an instance nipped in the bud and destroyed outright, an object altogether out of their view, inventive industry: forcing the man of genius in some instances to sell the fruit of his labours, in part or altogether, upon terms of comparative disadvantage, in others to lose it altogether.

Another object may perhaps have been the prevention of prodigality. In regard to this object, though they have completely failed of producing the good they aimed at, they have, by counteracting their own intentions, produced, to a certain degree, a good they never thought of. Instead of stopping or diminishing the waste which the prodigal is committing, they have accelerated the progress of it, by driving him into expedients whereby future money is exchanged for present upon terms more disadvantageous than those of an ordinary loan. But the more disadvantageous the bargain is to the prodigal who, when he gets the money, expends it in the purchase of unproductive labour, that of servants, pleasure-horses, and prostitutes, and articles of quick consumption, such as expensive eatables

*If a man has borrowed money too dear, he may borrow it cheaper and pay off the first loan: if he has bought corn too dear, he is without remedy.

and drinkables, the more advantageous it is to the lender who is generally a man of thrift.

Neither the individual mischief which they fail of preventing in this way in respect of relative dissipation, nor the good which they do to the public in respect of absolute dissipation diminished, are however worth reckoning in comparison of the mischief they do in the case of indigence. Were the rate of interest left altogether free, the injury which the property of a ruined prodigal would be found to have received from disadvantageous loans, is as nothing in comparison of what it would be found to have experienced from other sources. In the case of borrowed money, the principal must be returned besides the interest: if he has good security to give, he will find no difficulty in getting the money at the current rate of interest: if he has not, he will not get it at all, unless in small sums on the score of friendship, [i.e.] from persons who, as friends, will either not accept of interest, or at any rate will not think of accepting of any thing above the common rate. Remaining in debt to tradesmen in the first instance, then, to clear the debt, selling outright whatever is saleable in possession or reversion certain or contingent, fee-simples, annuities, post-obits—such under the anti-usury laws is, and such without them would be, the beaten road to ru[i]n in the department of prodigality.

The Roman Law [thinks]¹ the prevention of prodigality worth its while to stop him on the road, and accordingly does stop him as mentioned in the *Defence of Usury*. The English Law has not thought it worth while to make any such attempt: and has therefore no title to whatever praise or blame may belong to it. If she comes across him any where upon the road, it is by mere accident: if she jostles him out of the beaten track, all the effect of the contest is to shove him into a shorter cut: and, upon the whole, his arrival at the goal is rather accelerated than retarded.

The attempts that have sometimes been made to make the country positively the richer by forcing down the rate of interest lower and lower, to improve upon the anti-usury laws by tying the cords still tighter, so as to drive individuals still faster than they would travel of themselves on the road of national accumulation, make no bad match with the notion of making corn cheap by forcing the possessors of it to sell it at a price below the habitual price.

In the natural course of things, as wealth encreases on the one

¹[In the MS this word is crossed out, obviously by mistake.]

hand, and frugality, that is the disposition to lay up a proportion of it for futurity, does at least not diminish, the quantity of money saved up, and ready to be employed in such ways as shall make it serve the purpose of a capital to the owner, by being employed in some branch of productive industry without his taking any part in the trouble of management, is continually on the encrease, except in as far as the encrease¹ is checked by the waste of war, and other inferior accidents. As the quantity encreases, other things remaining equal, or not encreasing at so quick a rate,² the price that can be got for the use [of] it, in the shape of interest, of course decreases: and the current rate of interest, and with it the income of the class of moneyed men, is reduced. Every such reduction has the effect of a most grievous income tax: a reduction from the present 5 per Cent to 4 per Cent would be exactly a double income tax: yet with the difference that the produce, instead of being applied by government to the exigencies of the state, for the benefit of the public at large, would be squandered away at the instant of collection, by being distributed among the class of borrowers.

This price—and a dear one it is—is the price that is and must be paid for the benefits of national accumulation: subject to the abatement which occurs but too frequently and too copiously, the abatement made by the encreased demand for capital to dissipate—the demand created by the unproductive and even destructive expenditure of war.

When this income tax is imposed as above, by the progress of national frugality and natural accumulation, it is a burthen growing naturally out of a still greater benefit: when it results, as it will soon result, from the glut of capital thrown into the market by the discharge of the national debt, it is again a burthen growing out of a great public benefit: a burthen which, whatever be its ratio to the benefit, government, in its quality of creditor, has at any rate an unquestionable right, so far at least as justice is concerned, to impose to any amount at all times. A country which, with a view to the benefit, should force down the rate of interest by a law on purpose to any lower rate, would impose the burthen pure without producing⁴ the benefit: Ireland, with the best intentions imaginable on the part of the intended authors, was not a great many years ago on the point of being afflicted with this severe and

¹[The MS reads "encreased".]

²[Put into brackets at a later date.]

³ ⁴[Put into brackets at a later date.]

unprofitable pressure: of the capital which it was endeavoured to force into trade, a part, but probably a very small one, would have been forced [into it] along with the unhappy owners, who stood aloof from trade only because they were unfit for it, by aversion at any rate, when they were not from other more unsurmountable causes, and in respect of these and these alone the wishes of the authors of the measure would have been fulfilled; another part would, through helplessness, have submitted to the tax, and in respect of these, the design would have been frustrated: a third part would have accompanied or sent their capitals to some foreign country: and in respect to these the measure would have been followed by effects directly opposite to what was aimed at.

That between the phenomena in question, encrease of national wealth and reduction of the rate of interest, a connection in the way of causality does indeed subsist, is what has just been brought to view: the error lay in looking upon an effect, and that an undesirable one, as if it were the cause. Of errors, much wider than this, the great mass of argumentation in matters of political economy is composed. Upon no better ground than a mere connection in point of time, according as measures or men are to be marked out for censure or applause, any one phenomenon is taken for the cause of any other: sometimes, as here, an effect, sometimes a co-effect of the same cause, sometimes a phenomenon altogether unrelated, not unfrequently even an obstacle is given for a cause.

Of one good effect the credit can not be refused to the anti-usury laws: that of serving government in time of war, in respect of the terms of its loans. Of this effect the magnitude is such that I am inclined to look upon it as affording even more than a compensation for the mischief done by them at all times and in particular in time of peace. This, however, is an effect that certainly was not in contemplation at the time of the first fixation of this kind: probably not at the time of the last, since further reductions have been in contemplation of government (an example has just been given) in a non-borrowing season—in a time of peace.

To draw up an account as between debtor and creditor, of the advantages and disadvantages resulting to the public from the measure in respect of this part of its effects, would require a discussion much too voluminous for a digression as it would be in this place. For my own part, without having as yet attempted to sound the depths of it, I should expect to find the advantages of

it in this respect predominate over its disadvantages in all others. So far as it has contributed to keep down the rate of interest paid by government—viz. by keeping down to 5 per Cent the rate of interest obtainable from individual borrowers, ¹while the rate afforded by government was left free to rise to any degree above that mark² the utility of it seems beyond dispute: for though the positive depression of the incomes of moneyed men is no benefit to the whole community taken together, but a disadvantage, it being a positive loss to one set of men which, sum for sum, is never adequately compensated by a positive gain to any other; yet for the same reason, whatever tends to check the positive gain made at the expence of the community at large, by an enhancement of the rate of interest received from the community for money lent on annuities on the occasion of a war, operates in diminution of loss and diminishes the suffering of the community in general, in a greater degree than it diminishes the enjoyment of the comparatively small number of its members whose profits are kept down.

The good effects therefore are obvious and desirable. The bad effects, on the other hand, have been altogether masked from view. For the distress that would have been felt from the subtraction of so much capital that would otherwise have been lent to individuals as before, has received relief from the quantity of artificial pecuniary capital created in the shape of paper money, in the course of the same period of time: which relief has, however, been purchased at a more disadvantageous rate than the use of money was ever known to be purchased at under the most enormous usury, the disadvantage falling upon the possessors of fixed incomes, and upon all incomes whatever, in proportion as the possessors stood debarred from making themselves amends by an encrease in the quantity of their pecuniary incomes for the loss resulting from the decrease in value: taking into the account what has resulted from the encrease of metallic money, an encrease still more burthensome than that of paper. Of this mischief I hope ere long to submit to the public a tolerably satisfactory proof, as well as a tolerably correct estimate of the amount: but upon the present occasion a discussion of this sort would be too digressive to be endured.

At the time of writing the *Defence of Usury*, the effects of the restraining laws upon the terms of war loans had, I am free to confess, never presented themselves to my mind. On the other hand,

¹ ²[Put into brackets at a later date.]

I may be allowed to observe that the point of view on which alone I undertook to examine the subject was not such as to call for the consideration of the effect producible by any such collateral and accidental incident. War, though almost as habitual throughout the last departed century, is not, it is to be hoped, a state of things altogether so natural as peace. The anti-usury regulations, being anterior to the birth of public credit, had not, at their origin at least, any such collateral effect in contemplation: probably not at the time of the last reduction (that from 6 per Cent to the existing 5 per Cent) in the time of Queen Ann: certainly not at the time of any anterior reduction. The only sources in which they took their rise—the only grounds on which they had ever been defended—were the passions and prejudices, the malignant passions and shallow prejudices, unmasked by the *Defence of Usury*.

[4. MODE OF ACCOMPLISHMENT; CONCLUSION]

As to the mode of accomplishment, it might be effected either under the powers given by an already existing Act or by a fresh law: in either case the maximum price might be fixed, either by the general authority for the whole of South Britain or the whole island or the whole of the United Kingdom; or by local authorities such as the magistrates in and for each county in sessions: and in this latter case, either within limits fixed by the general authority, or without any such restraining limits.

In effect and substance, these options lie as equally open, supposing the existing Act to be taken for the ground of operation, under that Act as under any fresh Act: the difference would be only in mode and form. The authority would require the signature of the great officer[s] of state mentioned in the Act: but there is nothing to hinder them from sending the matter to the local authorities to report upon, and acting, so far as should seem proper, on the foundation of such reports.

The objection, though perhaps the only one, against the acting under the existing Statute without a fresh authority, is that inasmuch as under the existing Act there is no maximum price already fixed and known, the growers and vendors of corn would remain in a state of uncertainty, inconsistent with the security due to their respective trades. A man would not have it in his power to know what would be the price set in the first instance; nor, supposing

such first price set, could he know what dependence he could with safety place on the continuance of it, whereas, if from the first he were to know what price the law would allow him to take, supposing the state of the market to keep the article up at that price, his operations would rest on a basis much firmer than in the other case. If from the first, in virtue of a fresh Act for that purpose, the maximum were to be fixed, suppose, at 90s a quarter, the farmer according to whose calculations wheat at that price would pay him better than any other crop he could raise, at the same time that circumstances in his estimation seemed to warrant the expectation of its keeping up at that price, would take his measures accordingly. These measures he would perhaps not take with a maximum at a pitch altogether uncertain hanging over his head: and supposing his expectations sanguine enough to get the better of his apprehensions on that score, still, if the maximum eventually set under the discretionary power were in his part of the country to stand so low for example as 80s, he would be a sufferer, in a way in which, consistently with the rules of justice and expediency, (two rules which, when suitably [?] understood, can never disagree) a man ought not to be made a sufferer by the dispensations of the Legislature. The public would indeed in this case have the benefit of his corn: but it would be only for one crop—and even then it would amount to no more than the difference between a crop of corn and a crop of something else: and for this hair's breadth difference, it will see a shock given to that security which so many other crops look to as their source.

Even supposing, if I may be allowed so to do for argument's sake, the utility and success as well as the adoption of the measure, it will require no small degree of the purest and rarest sort of public spirit as well as fortitude on the part of government to embrace it. I can think of no state of things in which any general approbation could reasonably be expected for it. If, after the establishment of the maximum price, the actual price should continue every where below it, the law would then be said, with or without reason, to be without effect: if the actual price should have risen every where or any where to the maximum price, the encrease of price might, and by many naturally would, be attributed not to the scarcity, but to the law: in the first case, your law is useless, it would be said, in the other mischievous.

In the first case, does it absolutely follow from the state of the

case that the law will have been useless—that it can not have contributed any thing to the keeping down of the price? The answer is more than I could undertake to give with confidence. I see no absurdity in the supposition, that the recognized impossibility of seeing the actual price rise to any pitch above that of the statutable price, should have nipped the rage of unlimited and speculative competition in the bud: and by that means confined the encrease of price within limits less wide than they would have been otherwise, of the mark exactly correspondent to the amount of the deficiency.

[In the second case, the law, far from being mischievous, would in fact be found to be beneficial: but this is a topic which need not be taken up anew in this place since it has been the object of proof and discussion all along.]

If it requires much fortitude and public spirit to stand forth as the adopter [of] such a measure, it required some share, how inferior soever, I will venture to say, to have stood forth in the way in which I have ventured to do, to be the proposer of it. In doing so, I am but too well persuaded of experiencing nothing but disapprobation, even from the persons whose judgment stands highest in my own estimate. In a case like this, converts in any considerable proportion would not reasonably be expected, even by the help of arguments of a more convincing nature than what, in my view of it, it affords. On the part of those who in the same question are on the same side, the prospect is still more discouraging: if I prove their point, it is after the rejection of all their reasons. If in one single point the arguments I have brought to view confirm their judgment, it is not till after having thwarted and wounded their affections. Hot tempers joined to weak and imperfectly furnished understandings have ever hitherto been the characteristics of the bulk of readers: in the present instance the ground of conciliation is narrow—that of irritation wide, [and] irrelative matter copious. Candour and impartiality in any station, other than that of an official judge, are not to the taste of the generality of readers. They find no such sentiment: they see no marks of it elsewhere: they are not used to it: they do not understand it: they turn aside from it as perplexing and unintelligible—if they do not quarrel with it as treacherous.

In all political questions, what the great mass of mankind are upon the look out for is—a pretence for crimination: if some are magnified, it is chiefly for the use they are of in throwing blame

on others: the question is not whether there be just cause of blame, but on which side it is to be found.

[Yet] he who is angry with those on whom the supply and price of corn depends, for transgressing the proper bounds, should first have settled with himself what these bounds are. He who calls upon each person to impose a maximum on the price he takes, should himself have settled a maximum for the price he will be content to give. He should settle with himself what price shall be allowed to the grower of this necessary article, and what greater price to the purchaser for sale: and if in this way he finds it not quite so easy as he might have expected, to set an absolute maximum, he should at any rate set a relative one: he should announce to each man how much less that man shall be bound by the law of morality to take, than what his neighbours have received according to his knowledge, or will have, according to his belief, received on each occasion from their respective customers. [And so, in the end, the question again turns on the fixation of a maximum price—the very measure here proposed to be taken.]

[5. RADICAL REMEDIES AGAINST DEARTH AND SCARCITY]

A maximum law, defensible as it appears, is but a temporary expedient, though I see nothing which should prevent its being a permanent principle subject to variation in respect of nominal price, and at best but a palliative in relation to the inconveniences under which we have been labouring, and under which, if no remedy of a more radical complexion be applied, we seem condemned [perpetually] to labour [even in times to come].

To the catalogue of remedies that have been proposed, no new article, I am confident, remains to be added: but in regard to the selection of them, it presents itself to my view as a topic that wants much of being exhausted.

The mischief has two causes—scarcity, and dearness beyond the scarcity: both habitual and permanent: roots altogether unconnected, and which require to be distinguished with the utmost care.

The scarcity has for its ulterior cause prosperity in all its shapes: an exuberant population, exuberant not with reference to wealth taken in all its shapes, for that too is an exuberance, but with respect to the capacity of raising within the local precincts of the chief seat

of empire the quantity of food necessary for the sustenance of its inhabitants.

The dearness has for its ulterior cause exuberance—habitual and indefinitely encreasing exuberance—of money: of money of the primary sort, by the too rapid importation of the pretious metals, its materials: of money of the secondary sort, by the unlimited creation of it.

In regard to scarcity, two remedies commonly relied on as sufficient are essentially inadequate: cultivation of wastes, and importation with or without bounties: in the ordinary course of trade I mean, that is, by individuals on their own account, taking their chance in respect to sale and price: two others commonly shrunk from, but the only ones upon which any safe reliance can be placed: magazines on public account, and facility afforded, allowance declaredly and liberally given, to exportation of capital and emigration.

By *inadequate*, in speaking of cu[l]ture of wastes, I certainly do not mean undesirable: but where is the resource when all shall have been brought into culture? a state of things which many now living may perhaps live to see. The arrival of the period is an event worth calculation, but [this] is not a fit place [for it]. In the mean time encrease of mouths is going on, as fast perhaps as the encrease of land in a state to feed them.

Importation is another resource essentially inadequate as a permanent and continual measure because it supposes a constant surplus, constantly at our command, and adequate to our encreasing wants. The recent inadequateness of it [is a] matter of experience: it has been grievously expensive, and still inadequate. Relying on it, we remain in a state of continual dependence for our daily bread: the state, whichever it may be, from which we draw the largest portion of our supply, has us at its mercy. The system pursued till within these [last 30¹] years, the system of bounties on exportation, supposed an habitual deficiency of corn in the rest of the commercial world: the system of importation supposes an habitual redundance. Both suppositions are random ones: both can not be true at the same time: but the risk attendant on the former is as nothing in comparison of that attendant on the latter. Quantity for quantity, to fail of filling up a deficiency is

¹[After 1773 export bounties became practically obsolete, although the formal abolition of the Bounty Act is of a later date.]

a much worse misfortune than to fail of getting rid of a superfluity upon advantageous terms: and the superfluity formerly got rid of was but a small part of the deficiency of late endeavoured, and in vain, to be filled up. Measure for this purpose has never yet been taken of the commercial world: the world is a large place and corn in abundance grows in it.

I have heard of an intention so to order matters that the price of wheat shall be made, or at least permitted, to rise as high as 10s a bushel, I suppose by restraint on importation, till it has arrived at that mark: and I have heard that price admitted to be sufficient, though not more than sufficient, but the means insufficient, unless a bounty on export be of the number.

If what is above observed respecting the want of land be just, that or any still higher price with or without the bounty will be inadequate, and if a bounty be given, the amount of it will be so much thrown away. The quantity of cultivated land not being augmented, or at least not being augmented in proportion to the existing deficiency of agricultural produce, added to the growing superflux of population, whatever quantity is added to corn will be so much taken from other produce. As to the bounty, so much as it amounted to, by so much would the scarcity and price of the aggregate of all agricultural produce taken together be enhanced. So much more corn as was produced in consequence, so much less of other agricultural produce would be producible by the same land: and of the extra quantity of corn produced, a part at least is proposed to be, and by the supposition must be, sent out of the country. What part and what proportion it may bear to the whole extra produce, the expected fruit of the bounty, is what I will not pretend to give the most random guess at: any more than what it would be necessary the bounty should be, in order to pay foreigners for coming for their corn to a country labouring under an habitual dearth and scarcity. Produce, I am aware, may be augmented in certain circumstances, otherwise than by augmenting the quantity of land in culture. The quantity of mineral manure and labour might be encreased at any time, the quantity of vegetable and animal manure might be encreased in time. But the addition from this source to the means of produce (without addition to land) would take place in regard to such lands as the bounty should find understocked with capital at the time: besides that a part of it would even in that case be added by the farmer to his fund of

instruments of present enjoyment, [i.e.] to the unproductive part of his expenditure: whereas the bounty would be received as well for the produce of land unsusceptible of further improvement, as for the produce of the most improvable and scantily stocked lands.

Insufficient against scarcity, these enhancements of the prices of corn will be still more palpably so against dearth, against enhancements of the aggregate of prices of all sorts of things taken together: for stopping the augmentation of the aggregate of prices, that is the depretiation of the value of money as applied to the purchase of vendible things of all sorts, there is but one course to take, which is to stop the augmentation in the quantity of it.

It is time to cast off antipathies and panic, and look difficulties in the face. Subsistence must remain for ever precarious, or magazines must be established. Wheat with the inferior grains rather than none—rice from Hindostan would stand clearest of objection. The objections that have been urged against magazines are strong, perhaps conclusive. But they all turn upon a state of things out of which we have emerged, and in which nothing but some unexampled calamity can replace us. They turn upon an habitual sufficiency, either actual or possible, of the average stock of grain for the subsistence of [all] inhabitants. With us, barring calamity as above, or emigration to an unexampled and improbable amount, the very possibility of such a sufficiency is gone for ever. Population has already outstripped culture. Population having no limit, so long as food is to be had from abroad in exchange for wealth, that it should ever be overtaken by culture seems altogether improbable, that it should long continue so to do is, unless contiguous land were to arise out of the sea, impossible.

It is not certain that magazines could not be so ordered as to pay their own expence: although it were, and although that expence were to amount to several millions a year, it need not be grudged. Insurance against loss by fire has been left, as it might be left with safety, to individual foresight: and no one has ever contested the claim of that anxiety to the praise of prudence. Insurance against scarcity can not be left with safety to individual exertion: every man may purchase at an insurance office the sort of security it deals in: every man can not build a granarry, purchase a cargo of corn abroad, and freight a ship with it. Cost what it will, we can afford to pay for this as well as every other security that is to be had for money, and we ought to have it. States comparatively poor

have given themselves this resource: shall the nation most famed for opulence hold herself too poor to purchase it?

Envy and jealousy are passions [to]¹ which, if the secrets of the heart could be laid open, many a useful plan would be found to owe its rejection or defeat. To a plan for the benefit of the public alone there is in general no disinclination: for the benefit is spread abroad in impalpable and indistinguishable portions, and no one individual can be distinguished as reaping any distinct or superior share of it. But if an individual can be found who besides his share in the profit of the public reaps a profit of his own, this separate profit, instead of being added to that of the public in the account, is considered as loss, [and] not merely as so much loss, but as that sort of loss which, though it be but a small fraction of the gain, shall be considered as outweighing it. Experience has brought to my view many incidents which have presented themselves to me as evidence of that feature of the public mind, and which in this country is, I believe, at least as prevalent as in any other. Men whose opportunities of observation have been beyond comparison more extensive, have from their own experience joined their suffrage on this head to mine. That the benefit to the public should have for its author the individual by whom the private benefit would be reaped, is a circumstance by which the bent of the public mind would not be varied. If on any occasion the interest of the public and the interest of the individual happened to be so combined and tied together, that on condition of seeing an individual reap a profit to the amount of a hundred thousand, the public might reap a profit to the amount of a million, the plan would be turned aside from or rejected. Whatever satisfaction might be excited by the idea of the million gained by every body and nobody, would be sowered and turned to regret by a glance of the hundred thousand pound gathered into a store of which the owner was in view. In the account of wisdom and good sense, the profit to the public would be eleven hundred thousand pound: but in the account of jealousy and envy the million would be dropped, and the hundred thousand would stand alone with the negative sign before it.

If the view of an authorized gain to any such amount, thus accruing to a blameless individual, would not be fatal to the plan, the view of an unauthorized gain to any such amount would be fatal to it at any rate. If places to that amount were necessary to

¹[The MS reads "from".]

be created, the countenance shewn to the plan would scarcely be less severe. ¹The horror of speculation and place-making have contributed, I am inclined to think, no small matter to the aversion to magazines.²

The more formidable this source of objection is, the more fortunate it is to the magazinging system to be capable of being cleared of all objections from this source. Fortunate it may be in this respect, that the same state of things, which has given birth to the demand for this species of public economy, furnishes the means of satisfying the demand without encountering the force of those objections which might have been so formidable at an earlier period. In the East India Company the solution of the problem may be recognized at a single glance. A system of immediate management ready made, and ripened by the experience of ages, an immense capital already accumulated in the very country from whence the supply can be obtained with regularity and certainty, and susceptible of extension to any amount that can be required, power already established, and competent to the ensurance of a degree of regularity in the supply such as would in vain be expected at the hands of any foreign and independent state, a climate not exposed to those vicissitudes [under]³ which our own is condemned to struggle, a mass of population which, by reason of the superiority of its amount, is by so much less affected by the casual defalcation of any given quantity, prepared to submit (in case of necessity) to occasional pressure from an habitually good government by the memory of frequent and wanton pressures under a bad one, a class of subjects blessed with proverbial patience, and capable of sparing a portion of even a scanty supply (were it necessary) with less murmuring, with more patience, than would be manifested by European spirits at the idea of parting with a small portion of a sufficient one—in these circumstances taken together we may behold a cluster of requisites such as never met in favour of any other nation or of our own in any former time, and such as take the system compleatly out of the case in which it stands exposed to those formidable objections that have their root in the passions and infirmities which have been brought to view.

The proper object in view is—not to prevent fluctuation, but only to confine it within proper limits; not to supersede the supply from home produce, not to furnish any part of the supply that can

¹ ²[Put into brackets at a later date.]

³[The MS reads “to”.]

be provided by home produce, but to provide so much, and so much only, whatever can not be provided from that source. A fixed price for the supplemental hoard would either be more than sufficient for the grower of the principal stock in favourable years, or, what would be beyond comparison worse, less than sufficient in unfavourable ones.

Although no profit were to be allowed for the management, the burthen, for such it would be, would fall upon a company not incapable of bearing burthens, but I know of no reason why use of capital, and labour of management, joined to more than ordinary responsibility, should be less requited in this than in other instances.

The very thing that has been aimed at by the export and import system with means formerly adequate and effective, but now become inadequate and inapplicable, would be accomplished under the magazining system with its East Indian amendment by means as adequate to the object as any that the vicissitude inseparable from human affairs admits of.

The supposition of the practicability of the plan in point of profit is taken from the mercantile statement given by Mr Arthur Young.¹ Against the expence of freight in a voyage of such length are to be set the superior productiveness of the climate, the superior cheapness of labour in that climate, and the inferiority of bulk in a mass affording equal nourishment. If, bulk for bulk, rice contains thrice the quantity of nourishment that wheat does, a six months' voyage of a cargo of the Asiatic rice will cost no more than a two months' voyage of a cargo of the British grain.

The profit, be it little or much, the profit, if any, would be so happily distributed and dispersed, that it would be beyond the ken of any ordinary eye to fix upon any one individual who should be in any assignable degree the better for it. Not only the sharers in it would be an indeterminate and ever changing multitude, but the profit itself would be swallowed up and confounded in an ocean of other profits. [Envy and malice would therefore find no determinate object, and the magazining system would under such an arrangement not be liable to become the cause of public discord, as might otherwise be apprehended.]

The application of capital to agriculture can not keep pace with the accumulation of the aggregate mass of capital. It is kept back

¹[Cf. *The Question of Scarcity plainly stated and Remedies considered*, 1800, pp. 79–81, and Appendix III.]

by impediments that do not apply in equal degree, if in any degree, to manufactures. So much land as is in farms below a certain size stands excluded from the possibility of receiving improvement. [The occupier of such a small farm]¹ sets out with an insufficient capital. The advantages attendant on operations conducted upon a large scale are prodigious not only in manufactures but [also] in agriculture. Where they are wanting to a certain degree, accumulation can not take place. The farm barely affords sustenance for the occupier and his family. The produce, the profit and saving of each manufacturer encrease *ad infinitum* in proportion to the encrease of the custom he has for his goods. No encrease of custom will enable even the most opulent farm[er] to produce a greater quantity of his goods than can grow upon the quantity of land he occupies. By accident he may obtain another farm, which, by accident, may happen to be situated at a convenient distance, and by another accident may not be too large for the superfluous capital he has at his command. It is in this way the additions that can be made to agricultural capital are made. But it may be seen even by this slight and superficial sketch how slow and uncertain the progress of accumulation must be in this track.

The grand efficient cause of agricultural encrease is the consolidation of small landed properties. By selling his estate to an already wealthy neighbour, a man who is starving upon a farm of £30 or £35 a year of his own, may obtain such a capital, as in a farm of profitable size would place him at once in a state of affluence. A farm of £180² or £200 a year may thus be brought into the most improved state of culture. It is in this way that small farms are gradually consolidated into large, and the quantity of the national agricultural produce encreased, together with the mass of population deriving sustenance from that produce, to the unspeakable advantage of all parties interested, amidst the lamentations of so many wolves in sheep's cloathing, mixed with sheep in their own cloathing, who never cease crying oppression and depopulation—of so many idle lookers on who draw pictures of agricultural oppression and depopulation, copied, if they are to be believed,* from this truly prosperous and universally beneficial

¹[The MS reads "He".]

²[The figure is very badly written; it may equally well be read as "150" or "250".]

*Two features are of course dropped in this picture: the consent of him who parts with his small property, and the beneficial equivalent by the consideration of which that consent was produced.

state of things. So far, so good : but the progress of this state of things is retarded by the impediments we have seen. Some centuries may yet elapse, before they are compleatly surmounted, and the whole of the culturable surface brought into the highest state of culture. Meantime capital employed in manufactures encreases without stint, and with it growing wealth and population beyond the means of home-bred sustenance.

The encrease of wealth and population being at length established by evidence, and at the rate at which we have seen it established, gives a new turn to every thing. It converts exhaustion into relief, and gives to shortsightedness the effect of perspicacity. If capital and hands must emigrate—and emigrate ere long the hands must do or be starved—better to spots within the empire, at least so as provided our expence in governing and defending them does not encrease with their population, better to our own colonies—for happily removal to Ireland is no longer emigration—than any where else. When (as if the plea of necessity and self-defence were not strong enough) the ministers of that day made war, as they said, for indemnification, indemnification was, as to this island, it always has been and always will be, impossible. In the account of relief to national burthens, untaxable colonies are all loss: for this plain reason, because the goods obtained from thence ¹in the way of trade² are not to be had without equivalent any more than if obtained from foreigners; taxes on imports from thence are paid by ourselves ¹and are not higher than what might have been levied on the same goods imported from other countries²; taxes upon exports, that is taxes paid by others than ourselves, are by another species of blindness reprobated, the labour which is only turned aside from channel to channel being looked upon sometimes as being created by the diversion, sometimes as being destroyed by it. Remain the expences of governing and defending in peace and by war—expences for which no indemnification is to be found in any shape: plus the capital transferred from the mother country to the colonies, and which, to the mother country, is so much thrown away.

Thus stands the account, so long as the land suffices for its inhabitants in prospect as well as in existence, and so long as emigration, whether of hands or capital, is a loss. But when efflux in both ways is become a relief—efflux of hands and mouths by

¹ ²[Put into brackets at a later date.]

mitigating scarcity, efflux of capital by mitigating the income tax imposed by capitalists upon capitalists as capital accumulates, and the rate of interest, the income obtainable for the use of it, is borne down—in this already impending, if yet scarcely so much as imagined, state of things, colonies, though still a drain, are notwithstanding, and even because they are a drain, a relief.

The retribution for the past expence is a scene from *Paradise Lost*—a prospect such as the angel shewed to Adam: men spreading in distant climes, through distant ages, from the best stock, the earth covered with British population, rich with British wealth, tranquil with British security, the fruit of British law.

INSTITUTE OF POLITICAL ECONOMY

METHOD AND LEADING FEATURES
OF AN
INSTITUTE OF POLITICAL ECONOMY
(INCLUDING FINANCE)
CONSIDERED NOT ONLY AS A SCIENCE
BUT AS AN ART

1801-04

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[APPENDIX:] NOSCENDA

INTRODUCTION: PRECOGNITA AND PRECOGNOSCENDA

1. [*The*] *Place of Political Economy on the Map of Political Science.*

THE object of the present work is to enquire what is the most suitable course for the sovereign of a country to pursue on each occasion, within a certain field of action that will presently [be] marked out, in his endeavours to compass what in every government ought to be, and is to a certain degree, the end or object aimed at—viz. the maximum of happiness with reference to the several members of the community taken together, and with reference to the whole expanse of time.

This object may be termed the general end or *end paramount*, with reference to certain other objects which, separately taken, are of less extent and of subordinate importance: I mean 1. subsistence, 2. security, 3. [abundance which comprises] enjoyment or opulence, [and] populousness, [4.] equality.¹

The subject matter of the present work being—not the entire field of the art of government (including its principal branch, legislation) but only that part of it which is understood to appertain [to] that department of it which has received the name of political economy, the object consequently is—not to enquire what conduct it will be proper for the sovereign to take on every occasion that presents itself to his notice, but only on such occasions as are understood to come within the field of enquiry of the branch of science so denominated, and within the field of action of the corresponding branch of the art of government—the art of government in matters of political economy.

¹[The MS in fact enumerates six subordinate objects: 1. subsistence, 2. security, 3. enjoyment, 4. populousness, 5. liberty, 6. equality. But in the following paragraphs, which were written on the very same day, Bentham speaks either of five, or only of four, secondary ends. Where he speaks of five, he thinks of enjoyment (or opulence) and populousness as one; later on, they are expressly declared to be merely branches of the more comprehensive ideal abundance. Where he speaks only of four, liberty is excluded from the list. Indeed, it is clear from other writings of Bentham's (cf. *A Table of the Springs of Action*, *Works* I, 210) that he regarded liberty and security as identical, liberty consisting in the last analysis of security from interference. Now, the fourfold division into subsistence, security, abundance, and equality, is the one which Bentham ultimately accepted and preserved, as appears from later passages in this very work, and also from other writings, especially the *Pannomial Fragments*. For this reason it seemed best to bring harmony into the text by taking it as the basis for the reconstruction of this chapter.]

In a few steps more we shall come to the point of separation between this and the several other branches of the art of government: but so far as concerns the having in common the one end paramount, and the [four]¹ immediately subordinate ones that have just passed under review, they remain united and indistinguishable.

Much convenience will result from the employment of these five words. By these four points, as it were, we see marked out the bounds and dimension [?] of this whole field of science. Familiar in their use, they will serve to familiarize us at once in some degree with the whole compass of the science: they will engage the attention without effort, and fix it without aberration or fatigue: comprehensive, so much so as to be all-comprehensive, they will serve as an index to every measure which can present itself or have presented itself as conducive to the common end.

In these grand objects² of contemplation we may behold so many independent powers, sometimes in a state of harmony and subservience [?] with reference to one another, sometimes in a state of rivalry. The former case presents no difficulty: in the latter the legislator will find an option for him to make, and a determination to which of the contending powers he shall pay obedience in preference: for the forming of which determination he has no other enquiry to make than which of these four subordinate objects it is, the pursuit of which will lead him by the shortest and surest track, and in the most perfect degree, to the attainment of the one supreme and general end above mentioned.

They will form so many centers of arrangement by which the several measures to be taken in the department of government, by means of the several reasons or points of utility by which those measures are recommended, may be classed³—so many compartments or boxes in which they may be lodged.

Happiness is a vain word—a word void of meaning—to him to whose mind it does not explain itself with reference to human feelings: feelings painful and pleasurable—pains and pleasures.*

Government—legislation—political economy would be a study

¹[The MS in fact reads “five immediately subordinate ones”.]

²[The MS speaks of “five grand objects”.]

³[The MS reads “classes”.]

*Politics, not less than medicine or any other branch of physics, is an experimental science. Feelings, not words, are the elements that compose it—the elements of which the subject matter of the science is composed. Each science has its pathology. Laws are the *materia medica* of the political body—[its] therapeutics [is] legislation.

without an object [and] a labour without point but for their reference to, and influence on, human feelings. Propositions bearing reference to those feelings—serving to indicate the influence exercised on those feelings by those events which government and legislation seek to regulate—may be termed propositions of pathology—and to distinguish them from those propositions of corporal pathology about which the art of medicine is conversant—propositions of mental pathology. And should they in point of evidence and application to practice be regarded as standing in the place of the propositions termed axioms in mathematical science, they may here also claim the title of *axioms*.

Subsistence can not be placed any where but at the head of the list of subordinate ends. It neither requires nor admits of any axioms of the pathological kind to compose the foundation of its importance. Without actual subsistence [there can be] neither suffering nor enjoyment.

The word *subsistence* stands not in need of explanation: the conception [?] belonging to it is as simple as it is familiar.

It is otherwise with the word *security*. Security is not to be understood but by its reference to mischief; the chance of which is *danger*, and the expectance *fear*, or apprehension.

Security will to the present purpose require to be distinguished and branched out in two respects: in respect of the *source* of the mischief, and in respect of the *objects* it affects. The source, as I. Human agency: 1. foreign aggression from without, or hostility; 2. aggression from within, or delinquency: 1. on the part of the subject; 2. on the part of government. II. Agency other than human, i.e. calamity.* The object, as person, property, reputation, [or] condition in life.

Security is diminished in two ways: by *defalcations* and by *shocks*. Shocks are only danger and alarm—threatened defalcations: but defalcation *in vi termini* can affect only a part: shocks may affect the whole. For defalcations from security a demand—and that a continual and uneludible one—is presented by the several other

*1. Provision for defence against external adversaries is by administration of military force. 2. Provision for defence against internal adversaries is by administration of the power of justice. 3. Provision for defence against calamities and minor physical inconveniences is by administration of the power of the corresponding branch of the police. Application of the matter of wealth to these cases belongs not to political economy, but to other branches of political art and science: art and science of war—art and science of legislation.

co-ordinate ends: for general shocks no such demand is ever presented on the part of any one of them.

Abundance may be used with reference either to the possessors of the matter of wealth, or the matter of wealth itself. Abundance in respect of wealth [is] opulence. Abundance in respect of population [is]¹ populousness.

These two branches of the common end run in direct opposition to one another. Given the quantity of wealth, the degree of abundance is inversely as the number of the sharers.

The encrease of abundance in point of population is an object of the community in two points of view: to encrease the mass of comfort by encreasing the numbers of those who enjoy comfort, and to encrease security as against aggression from without, by encreasing the number of men, considered as instruments of defence.

Encrease of abundance in point of wealth is an object in the same double point of view. The matter of wealth is an instrument of defence: some modifications of it in themselves, and without conversion: others by conversion without exchange: all by exchange.

Abundance is the seed of populousness. Abundance is the means of multiplication: for the work of generation men want not any incitements but the means.

Security is the seed of opulence. For the work of opulence, what men want principally of government is—not incitements to produce it, but the means: the means are security, which is the work of the protection afforded by government in respect of the different possessions, in respect of which security is exposed to defalcations and shocks.

What is incumbent on the legislator is to take care that that course of action be pursued by the whole community that is most conducive to the general end in view—the *maximum* of well-being: that subsistence, security in all its branches, opulence [including populousness], and equality be attained collectively in the highest degree upon the whole, and separately in the highest degrees, respectively proportioned to the degrees of their comparative importance. But though it should be his care to see that that most eligible course of conduct be pursued, it does not follow that it is necessary that whatever step is taken in that course should be the result of measures taken by himself in this view. What concerns

¹[The MS reads rather “or”.]

him is—that the desirable effect should take place: not that it should have his own agency for the cause. If the end could be accomplished without any interference on his part, so much the better: and so much as will be done without his interference, so much he will [if he is wise] suffer to be done. The whole course of legislation, though a necessary evil, is still an evil: the legislator can not stir, but what he does is felt in the shape of hardship and coercion somewhere. An attempt on the part of the legislator¹ to produce by his interference an effect that will take place without it, is waste of labour on the part of the legislator: if it be attended, as is most commonly the case, with any act of coercive authority, it is a defalcation from liberty—and that by the supposition a useless one—on the part of the subject. A propensity conducive to the requisite ends, general and subordinate, is implanted in every breast he has to deal with: it is the endeavour, or at least the wish, of each individual to see those several blessings, in his own instance at least, carried to the highest pitch: the course which each individual will take of himself is therefore the course that will be most conducive to the end in view, in so far as it can be pursued without thwarting other individuals in their course, and in so far as his own stock of knowledge is adequate to his guidance, to the reflecting the proper light upon his steps.

That the uncoerced and unenlightened propensities and powers of individuals are not adequate to the end without the controul and guidance of the legislator is a matter of fact of which the evidence of history, the nature of man, and the very existence of political society are so many proofs.

In listing over the four several subordinate ends of political action, we shall [find] a great difference in respect of the demand they respectively present for the interference of the legislator. *Security* is more especially and essentially his work: in regard to subsistence, opulence, and equality, his interference is comparatively unnecessary. From the very first dawn of society we find him occupied in the construction of the fabric of security: and for a long time scarcely at all in the pursuit of these other ends. It is by the agency of the sovereign that that security is compleated [?] and afforded, which is the cement and fruit of political society, and without which political society could not exist—that political society, as contradistinguished to natural, of which a degree of security before

¹[The MS reads almost "legislation".]

unknown is the immediate fruit.¹ Without this degree and course of action on the part of the sovereign, political society could not exist: it may exist, and in all societies has existed, at a period when little or nothing has been done by the sovereign in the view to those other ends.

2. [*The Fundamental Difficulty: Money and Wealth.*]

The course taken by an enquiry into the true principles of political economy winds between two opposite imputations: the imputation of nugatoriness on the one hand, and the imputation of error on the other.

At first, a certain length, a string of propositions so obvious, so obviously true, at any rate when once brought to view, perhaps even already so familiar, that they appear not worth mentioning: at length on a sudden up starts another proposition which, though an incontrovertible inference from that string of self-evident and therefore nugatory truisms, runs directly counter to some universally or almost universally received opinion, and therefore presents itself as paradoxical, and to such a degree paradoxical as not capable of being received as true.

Of the language of this branch of science it is the characteristic property to be composed of terms and propositions most of them to the last degree familiar, and at the same time many of them of the most extensive import. They are on² the lips of every body, while the import of them is so extensive that there is scarce any body whose mind is capable of taking in the whole of it. Hence the language, and, as far as opinions are formed and conveyed by language, the opinions of men on this ground are composed of propositions such as, each taken in its totality, are many of them mutually repugnant, asserting and at the same time denying the existence of this or that matter of fact, or asserting the co-existence of two facts incapable of co-existence.

In the organization of political society there are certain contradictory appearances, certain facts apparently contradictory—coexisting, seen to exist together, and yet to appearance incompatible—involving a contradiction which seems never hitherto to have been

¹[The MS in fact reads: "that political society, as contradistinguished to natural, owes its existence, and of which . . .".]

²[Might also read "in". Bentham's first version of this passage runs "in the mouths".]

explained—a contradiction however which, till it has been removed, will leave a multitude of points of the highest practical importance in such confusion as will render it impossible to come to any satisfactory determination what course in relation to those points ought in preference to be pursued.

I will begin with what is true in reality, as well as in appearance.

1. The wealth of the community is the sum of the several masses of wealth belonging to the several individuals of which that community is composed.

2. The addition made to the mass of wealth at the end of each year is the sum of the savings made by all the individuals in question in the course of the year. It is the difference between the sum of the *comings in* and the sum of the *outgoings*, the masses either produced or imported in the course of the year and that of the masses either consumed, or lost by destruction or otherwise, or exported.

3. What is thus true of the several masses of wealth of all sorts put together is true of the several masses of each sort in particular: of money of all sorts consequently, amongst the rest. The addition made to the national mass of money in each year is the difference between the sum of the masses either produced or imported in the course of the year, and that of the masses either consumed¹ or lost by destruction or otherwise, or exported in the course of the same year.

4. In the case of the individual—in the case of each and every individual—the mass of general wealth possessed by him (i.e. the mass of wealth of all sorts besides money) is the greater, the greater the mass of money he possesses. If on the first of two days he possesses, or what comes to the same thing, has it in his power to possess, at any time and keep for what length of time he pleases, a thousand pounds weight of gold coined into guineas, he possesses 48,500 guineas: in pounds sterling, £50,925 pounds. If on the next day he possesses as above two thousand pounds weight of the same valuable article, he is truly and exactly twice as rich as he was the day before. He has it in his power to command twice the quantity of general wealth—of wealth non-pecuniary—of wealth of all kinds other than money, on condition of parting with the money: or of

¹[The first version of the MS reads “expended”; though not crossed out, it seems likely from the context that Bentham’s idea is better expressed by the second alternative—“consumed”—which is written over the first and apparently of the same date.]

money and non-pecuniary wealth together, on condition of parting with the requisite proportion of his money.

Thus far the *nugatory*—now comes the *paradoxical*, which to the eyes of the great bulk of men, and even reading and thinking men, is the same thing with the untrue.

The first of the two days in question the quantity of coined gold possessed by the whole community taken together is a million of pounds weight and no more. The second day, it is two millions. What follows?—On the second day, instead of being as rich again in wealth not-pecuniary as, we have seen, the individual was, as on the first, it is no richer than it was before: instead of having twice the quantity that it had of non-pecuniary wealth at command, it has no more at command than it had before.

True it is, that by exporting into other communities this suddenly acquired mass of gold or any given part of it, it may obtain in exchange the possession of an addition to a certain amount to its mass of non-pecuniary wealth. But in proportion as such exchange obtains, the case last supposed is altered. The community in question, Great Britain, ceases to possess the additional million of gold: whereas in the case of the individual, whatever proportion of gold he parted with in order to obtain a correspondent mass of non-pecuniary wealth, the quantity of wealth in the community (Great Britain) remained undiminished.

Lastly, to do away the seeming *inconsistency*—to reconcile the *paradox* with *truth*. When my individual found his quantity of gold money doubled, the value of it was not any part of it lessened—the quantity of non-pecuniary wealth which it gave him the command of was not as to any part of this mass of gold lessened by the addition so made to the whole: for though in the coffers of the individual there was as much again the second day, in the whole community in Great Britain taken together there was [not] any greater quantity on the second day than on the first.

The whole mass of non-pecuniary wealth or vendible commodities sold within the year, is worth the whole mass of pecuniary wealth or money that has been given or undertaken to be given in exchange for it within the year: the actual quantity of money being multiplied by the number of times it has been thus given in exchange: the one mass is worth the other, for by the supposition it has been given in exchange for it: and this and no other is on this occasion the meaning of such words as *worth* and *value*.

This equality of exchangeable *worth* and *value* as between mass and mass—mass of pecuniary wealth and mass of wealth not-pecuniary—is at all times the same, whatever in quantity be the difference between the respective masses. When, by passing each particle of it upon an average three times in the course of the year, the single million weight of gold in circulation bought the whole of the mass of non-pecuniary wealth in that year, it was worth the whole of that mass of non-pecuniary wealth: it gave to its several successive possessors taken together the command of that whole mass. When, by taking the same course, the two millions weight of gold gave to its successive possessors as above the command of that *same* mass of non-pecuniary wealth (the latter mass by the supposition not having received any encrease), the two millions weight of gold was of the same worth and value in respect of [and] as compared [with the] non-pecuniary wealth—gave to its successive possessors at the several successive periods the command of the same quantity of non-pecuniary wealth, neither more nor less, as the single million did before: this double mass being composed of two millions weight, each million's weight was consequently at this second period worth but half as much as the single million's weight was at the first period.

Here then lies the difference between the wealth of the individual and the wealth of the community—between additions made to the pecuniary wealth of a single individual or small number of individuals ¹(or any number of individuals less than the whole number)² taken separately, and additions made to the pecuniary wealth of the whole number of individuals of which the community is composed. To the pecuniary wealth of any single individual or inferior number of individuals an addition may be made to any amount, without any addition [being] made to the pecuniary wealth of the whole community taken together, viz. by its being taken from some part of the mass possessed by others: and it is on this supposition, and this supposition only, that an addition can be made to the pecuniary wealth of an individual without lessening its value as compared with the mass of non-pecuniary wealth, as above. On this supposition the quantity of pecuniary wealth in the community is no greater after the addition than it was before. On the opposite supposition—on the supposition that the addition made to the pecuniary wealth of the one individual or set of individuals

¹ ²[The brackets are of a later date.]

is made to it without being taken away, any part of it, from the pecuniary wealth of any other individual or individuals, the addition to the pecuniary wealth of the individual or particular set of individuals is made to the wealth of the whole community or total number of individuals:—and the proportionable loss of value, to each particle of the thus encreased mass of pecuniary wealth, takes place.

An addition made to the money of an individual by importation, or otherwise, without being received and taken from other individuals [who are] members of the same community, will make to the amount of his wealth an addition not perceptibly less than its own amount. But being at the same time an¹ addition to the stock of money of the community, the real addition thus made to the wealth of the individual will be diminished by a sum which is to the amount of the added money of the individual as *that* is to the total stock of money of the community. Stock of money in the community before the addition [£]1,000,000: share of that stock belonging to the individual, £1000: addition, £1000. As the £1000 is to the £1,000,000, i.e. as 1 is to £1000, so is the defalcation from the quantity of wealth produced by the money added to the amount of the money added. He has now £2000 of money: but each £1000 instead of being worth [the] 1000th part of the wealth [of the community according to the initial position] is worth no more than 1/999th part [of it].² His nominal £2000 is worth in fact but £1998.

Thus it is, that, of every fresh portion of pecuniary wealth which is introduced into the circulation of the community and employed in making purchases within the year, and which has not the effect of producing an *equivalent* or *correspondent* portion of non-pecuniary wealth sold within the year, the effect is to produce a proportionable degradation in the value of the total mass of pecuniary wealth existing after such addition, including its own amount and that of the original mass into which it is poured: or, to express the same result in other words, to produce a proportionable rise in the money prices of vendible commodities taken together, in the money price of the whole mass of non-pecuniary wealth taken together: and consequently either in the price of every article of which that

¹[Looks almost like “one” in the MS.]

²[*Sic!* Bentham was not very good at figures. 1/999 is more, and not less, than 1/1000. The drift of the argument is, however, clear from the next sentence.]

aggregate mass is composed, or at any rate in the prices of a great number of these articles.

If the effect of a portion of pecuniary wealth thus added to the mass of pecuniary wealth of a community be to bring into existence a portion of non-pecuniary wealth that would not have been brought into existence otherwise, in so far, and to the amount of such new produced portion of non-pecuniary wealth, the degrading operation of the portion of pecuniary wealth [newly introduced] is taken off.

THE SCIENCE

1. *Objects or Ends in View.*

Political economy is at once a science and an art. The value of the science has for its efficient cause and measure its subserviency to the art.*

According to the principle of utility, in every branch of the art of legislation, the object or end in view is the production of the maximum of happiness in a given time in the community in question.

In the instance of this branch of the art, the object or end in view is the producing that maximum of happiness in so far as the other more general end is promoted by the production of the maximum of wealth and the maximum of population.

Opulence, though so nearly of kin to wealth, or rather for that very reason, requires to be distinguished from it: opulence is *relative* wealth, relation being had to population: it is the ratio of wealth to population. Quantity of wealth being given, the degree of opulence is therefore not directly, but inversely, as the population, i.e. as the degree of populousness—as the number of those who are to share in it: the fewer the sharers, the larger is each one's share.

[The relation as between wealth and population—their agreement and opposition—therefore gives rise to an important problem which it is incumbent upon the legislator to solve, viz. to determine] how far the measures respectively suggested by these two branches of the common end agree, how far they differ, and which requires the preference.

2. *Uses of the Matter of Wealth.*†

[The] uses of the matter of wealth [are]: 1. provision for subsistence—present subsistence, and security in respect of future; 2. provision for security in respect of defence, viz. against (*a*) external adversaries, (*b*) internal adversaries, and (*c*) calamities, to which,

*To Adam Smith, the science alone has been the direct and constant object in view: the art the collateral and occasional one.

†From the faculty of being exchanged for one another, the several modifications of the matter of wealth derive a common nature, and in virtue of that nature are susceptible of this common name. Say matter of wealth, not wealth simply: for wealth excludes small portions, such as fall to the share of poverty.

without human design, the community is exposed; 3. provision for enjoyment, viz. mere enjoyment, as far as distinguishable from that share, which is the natural, and more or less inseparable, accompaniment of subsistence and security.

The quantity of wealth, or matter of wealth, existing in a community at the end of a given space of time (say 40 years), will be as the quantity of wealth existing therein at the commencement of the period—*plus* the quantity of wealth that has come into it, *minus* the quantity that has gone out of it.

Hence two modes of encreasing the quantity of wealth: 1. the direct and positive mode—encreasing the quantity that comes in; 2. the indirect and negative mode—diminishing the quantity that goes out.

Wealth has two sources, to which correspond two modes of coming in to a community: 1. home production; 2. importation.

It has in like manner two correspondent modes of going out: consumption and exportation.

In the case of importation, the encrease is only *relative*, relation being had to the community in question: importation alone being considered, by so much as the wealth of this community is encreased, by so much is the wealth of some other community decreased.

In like manner in the case of exportation, the decrease is only relative: exportation alone being considered, by so much as the wealth of this community is decreased, that of some other is [encreased]¹: in relation to the world at large, the quantity suffers not in either case any change.

In general, import, in respect of one portion of wealth, does not take place but export, in respect to another and correspondent portion, a portion generally regarded as being of equal value, takes place at nearly the same time: the transfer or self-deprivation having the acquisition for what, in the language of English Law, is called its consideration, and, in the language of general logic, its final cause: but between community and community, as between individual and individual, from motives² of fear, amity, or remote personal interest, it will sometimes happen that export from this community shall take place without a correspondent import into

¹[The MS reads even here “decreased”.]

²[The text of Bowring’s *Works* (III, 39) reads “matters”—a striking proof of the carelessness with which the edition was prepared.]

this from that: import into this [country] without export from this into that: though import into this can not take place (unless it be from spots occupied in common by the two, such as the greater part of the sea, and some unappropriated parts of the land) without export from that.

Consumption again takes place in either of two ways: purposely, in the way of use, or undesignedly, in the way of deperition, without use.

In the case of all articles of *intrinsic* use, the quantity of use capable of being made of a given mass of any sort of article, encreases with and in proportion to the quantity. Twice the quantity of corn administered in the way of food, quality being alike, will keep alive, for a given time, twice the number of human creatures or other animals: and the same may be said even of articles of subservient use.

But of money this can not be said. The only use it is applicable to is in the way of *exchange*. The value of it does not always encrease in proportion to its quantity. In a certain sense it might even be said with more propriety to be inversely as its quantity: that is, the value of any part of the mass is inversely as the quantity of the whole. The value of the quantity of money given in exchange for other things in the compass of a year is always equal to that of the quantity of those things given in exchange for money in the compass of the same year. If in two years the quantity of things given in exchange for money has been the same, while in the latter of the two the quantity of money given in exchange for the things has been twice as great as in the former, half or any other part of that mass of money has in the latter been worth but half as much as the same part was worth in the former.

Encrease of wealth may be distinguished into positive and negative: [the] negative consisting in the prevention of decrease. Such prevention may be either total or partial: it can only be partial in cases where decrease to a greater or less amount is indispensable, as in case of taxes.

Taxes are imposed to furnish means either for *future* expenditure, or to afford compensation to those who in times past have furnished the means for expenditure which *then* was future: in other words, for growing expences, or for discharge of debts.

The amount of taxes imposed for growing expences takes from the amount of national wealth in certain ways, and adds to it in other ways more or less, according as it is employed. It takes from

the means or instruments of *enjoyment* of those on whom the taxes are imposed: enjoyment present or future, immediate or more or less remote, according as [the portion of income involved] would have been spent, lent out, or hoarded, had it not been for the tax: it adds to the security of the whole, in proportion as it is employed for the purpose of national *security*, in the way of national defence and otherwise: it adds to the subsistence and enjoyments of a part, in proportion as it [is] applied to those purposes, by those among whom it is distributed in consideration of the services by which they have respectively contributed to that end.

The amount of taxes imposed in discharge of debt of itself neither adds to, nor takes from, the mass of national wealth: that is of itself: but it is the necessary result of measures of expence, necessary or unnecessary, avoidable or unavoidable, beneficial or pernicious, by which in former [times]¹ a decrease in the mass of national wealth was produced. But when, and in so far as, the money produced by these taxes is actually employed in discharge of debt, it adds to capital, and thereby to growing wealth.

3. *Modifications of the Matter of Wealth.*

[These] are, correspondent to the above uses, 1. articles of subsistence; 2. instruments of security, in respect of defence; 3. instruments of enjoyment. But, enjoyment being inseparable from the application of the articles of subsistence to their respective uses, an article of subsistence is also an article of enjoyment.*

4. *Genesis of the Matter of Wealth.*

[For the] causes and mode of its production under its several modifications see for the present Adam Smith, who[se *Inquiry into*

¹[The MS in fact reads "mass".]

*It is in consequence of the interconvertibility above mentioned that wealth in one shape is wealth in every other: that every instrument of mere enjoyment is a pledge of security: and that national power, so far as depends upon wealth, is in proportion not to absolute, but only to relative opulence: not to the absolute quantity of the matter of wealth in a nation, but to its ratio to the mass of population. For, of the aggregate value of the aggregate mass of the matter of wealth in a nation, the part dedicated to enjoyment is the only disposable part: the only part applicable to the purpose of defence. What is necessary to subsistence must be applied to subsistence, or the man must starve. Hence the reason why France, so much superior to Britain, not only in population but in absolute wealth, is yet inferior in power, except with relation to countries so near adjacent, that the expence of invading them may be more or less defrayed by the contributions raised in them.

the Nature and Causes of the Wealth of Nations] has not left much to do, except in the way of method and precision.

On the part of the individuals by whom it is produced, the production of it is either purely *spontaneous*, or (with or without design directed to the encrease of it) either promoted, or obstructed, by the operations of government. [The] correspondent practical division of acts and operations, the effect of which is to exert an influence on the quantity of the national, to which may be added the mundane, stock of the matter of wealth, [is]—1. *sponte acta*; 2. *agenda*; 3. *non-agenda*.*†

*To this head belongs the investigation of the influence of money on *real wealth*—or say, for shortness, *wealth*. Money may well be put in contradistinction to every thing else which is ever called wealth: which is ever considered as a modification of the matter of wealth. For *money*, so long as it is kept in the shape of money, and in the same hands, is of no kind of use. In that shape no man can ever make any kind of use of it but by parting with it, or at least standing engaged to part with it. What value it has, is in the way of *exchange*: value in the way of use, it has none. When out of that shape, the materials are thrown into other shapes, then indeed they have their value in the way of use: that value, but for which they would have had none in the way of exchange. Paper money, not having in respect of its materials any value in the way of use, has no value but in the way of exchange: nor in that way, but on the supposition of its being capable of being exchanged for that money, of which it contains and conveys the promise.

†Among these several classes, *agenda*, *sponte acta*, and *non-agenda*, the distribution of the imaginable stock of institutions will differ in a very considerable degree according to the different circumstances of the several political communities. In regard to defalcations from general opulence for the security of subsistence, an arrangement of this sort which in one country may be at once *needful* and *practicable*, may in another be either *not needful* or, what is more apt to be the case, *not practicable*. The greater the degree of opulence, the greater the list of *sponte acta*—the less, therefore, that of *agenda*. In England, abundance of useful things are done by individuals which in other countries are done either by government or not at all. Docks, harbours, canals, roads; institutions for relief [or] offices for insurance against misfortune in a variety of shapes, and [from] a variety of causes: bodily affliction, death of friends, fire, hostile captures, [and] criminal depredation. In Russia, under Peter the Great, the list of *sponte acta* being a blank, that of *agenda* was proportionally abundant.

THE ART

I. WEALTH

1. *Sponte Acta*.

[Under the head of] *sponte acta* [fall the] cases in which, and measures or operations by which, the end is promoted by individuals acting for themselves and without any special interference exercised with this special view on the part of government, beyond the distribution made and maintained, and the protection afforded, by the civil and penal branches of the law. What the legislator and the Minister of the Interior have it in their power to do towards encrease either of wealth or population is as nothing in comparison with what is done of course, and without thinking of it, by the judge, and his assistant, the Minister of Police.

Inclination, knowledge, power—all concurring in the requisite degree, the effect takes place, the end in view is accomplished—any one failing, it fails of being accomplished.

In a general point of view, *inclination*, equal to the production of an unlimited quantity of wealth, can not be wanting: *knowledge* (a branch of power), as little, being the fruit of inclination: *power*, what is requisite of it beside knowledge, chiefly pecuniary capital, has its limits in the instance of each individual [and] is of course wanting as to every thing beyond those limits, but can not be created by government as inclination and knowledge may, as it were out of nothing: it can not be given to any one individual without having been first taken to equal or rather greater amount from others.

The national wealth is the sum of the particular masses of the matter of wealth, belonging respectively to the several individuals of whom the political community—the nation—is composed. Every atom of that matter, added by any one such individual to his own stock, without being taken from that of any other individual, is so much added to the stock of national wealth.

To add to his own particular stock, and to add in each portion of time more than by use or otherwise is taken from it in that same portion of time, is, with a very few exceptions, the constant aim and occupation of every individual in every civilized nation. Enjoyment is the offspring of wealth: wealth of labour. What men want from

government is, not incitement to labour, but security against disturbance: security to each for his portion of the matter of wealth, while labouring to acquire it, or occupied in enjoying it. For the purpose of encreasing wealth, individuals require neither to be forced to labour, nor allured. The want of that which is not to be had without labour, is sufficient force: the assurance of being able to enjoy it, is sufficient allurements. Leave men to themselves, each man is occupied either in the acquisition of wealth (the instrument of enjoyment) or in some actual enjoyment, which, in the eyes of the only competent judge, is of more value. If idleness is to be discouraged, it is not because it is the non-acquisition of wealth, but because it is the source of crimes.*

[The head of] *sponte acta* [therefore comprises practically all the operations by which encrease of wealth is produced in a direct way, and coincides more or less with what is commonly termed political economy]. Here follow the first steps in an analytical survey shewing how to draw a circle round the subject, and how to invent or discover what remains to be invented or discovered in this quarter of the field of human knowledge.

Causes of wealth, or say the matter of wealth, are

1. final—well-being;
2. material—matter considered in respect of its possessing—or being capable of possessing—*value*, viz. subserviency to *well-being*, the *final* cause;
3. efficient—viz. motion.

¹The modifications of well-being,² ranged in the order of their importance, [are]

1. subsistence (present);
2. security in respect of defence, viz. against the evils to which human nature is exposed: particularly from the action of exterior agents, [i.e.] agents exterior to a man's own body; security in respect of future subsistence;
3. enjoyment—viz. *mere* enjoyment, distinct from the maintenance of subsistence and the contemplation of security.

Matter, considered with reference to the final cause, well-being,

*Whoever takes upon him to add to national wealth by coercive and thence vexatious measures, stands engaged to make out two propositions: 1. that more wealth will be produced by the coercion than would have been [produced] without it; 2. that the *comfort* flowing from the extra wealth thus produced, is more than equivalent to whatever *vexation* may be found attached to the measure by which it was produced.

¹ ²[The MS reads "Well-being—its modifications".]

may be termed (such parts of it as by the use made of them become subservient to well-being, the final cause) matter of wealth.

The term matter of wealth is applicable in common to

1. articles or instruments of subsistence;
2. instruments of defence;
3. instruments of enjoyment.

Articles of subsistence are either of constant use, or occasional use.

Articles of constant use [are]

1. articles of nourishment, viz. food and drink, i.e. liquid or solid; the distinction between which is at their point of nearest approach undeterminable;

2. articles serving for the regulation of temperature and state of the air in respect of moisture. These are either lodging or cloathing: if carried by a man about his person at the time of his using them, [they] belong to the head of apparel: if not, to that of lodging, whether fixed or moveable.

Articles of occasional use are articles of medicine.

Evils to which defence bears reference may be considered as having their source in the agency of irrational agents or rational agents.

Defence against evil apprehended from the agency of irrational agents, is defence against calamities.

Among rational agents, those from whose agency evil is apprehended, are either considered as members of the community in question, or not: in the first case, the defence is against delinquency: in the other case, against hostility.

A modification of the matter of wealth may be referred to that one of the above three heads to which it is conducive in the greatest degree: for the same article that is principally subservient to one, may occasionally be subservient to either or both of the two others.

Thirty years after the conclusion of the Seven Years' War, some ammunition bread that had been baked for the Prussian army at the time of that war, was found in such a state as to have been eaten a piece of it for curiosity by a person whom I knew. In default of stones which have sometimes for want of iron been shot out of cannon, this ammunition bread might have been applied to the purpose of defence.

Iron is the best material for knives and hatchets, though in Otaheite and elsewhere stone is employed for that purpose. A person

whom I knew, cut his finger once (as he told me) with a piece of Suffolk cheese.

On shipboard, at the time of an engagement, hammocks, articles of subsistence (or rather of customary luxury not indispensably necessary to subsistence, for a Russian sleeps upon a bench or upon the floor)—articles of subsistence of a middle nature between cloathing and lodging, are frequently applied to the purpose of defence, being stowed in such manner as to deaden the stroke of the shot.

Enjoyment being in a manner inseparable from the application of articles of subsistence to their use, all articles of subsistence are instruments of enjoyment likewise. The distinction therefore is not between articles of subsistence and instruments of enjoyment, but between articles of subsistence and instruments of mere enjoyment, viz. that by their application to use contribute nothing to subsistence any more than to defence. Instances of instruments of mere enjoyment are abundant: tobacco (the luxury of the great body of the people) and perfumes may be sufficient for illustration.

The practice of exchange being established, each modification of the matter of wealth, to which soever of the above-mentioned three divisions it belongs, is in virtue of that practice convertible with more or less facility and certainty into every other.

The richer a community, the better secured it is thereby against hostility and famine.

A stock of instruments of mere enjoyment presupposes on the part of each individual a preassured stock of the articles of subsistence. The stock of articles of subsistence capable of being produced and kept up in a country, in any other view than that of exchange, has its limits: it can never extend much beyond the stock necessary for the subsistence of the inhabitants. [But] the stock of instruments of mere enjoyment is without limit.

It is only in respect and in virtue of the quantity of the stock of instruments of mere enjoyment, that one country can exceed another country in wealth. The quantity of wealth in any country is as the quantity of its instruments of enjoyment.

In cases where, two articles of subsistence contributing in an equal degree to that end, one contributes in a greater degree to enjoyment (as is testified by the greater price given for it) it may be considered a sort of compound article, and by analysis may be resolved as it were into two values; one belonging to it in its capacity of an

article of subsistence, the other in its capacity of an article of mere enjoyment.

In the character of an article of subsistence, a pound of potatoes and a pound of pine-apples may stand pretty near upon the same level. But a single pound of pine-apples may sell for the same price as about a hundred pound of potatoes: the pound of potatoes selling at a halfpenny, and the pound of pine-apples at about a hundred halfpence, i.e. 4s 2d. This being the case, out of the 4s 2d, which is the price and value of the pound of pine-apples, a $\frac{1}{2}$ d goes to subsistence, and the remaining 4s $1\frac{1}{2}$ d to mere enjoyment: and in [this] respect it is the same thing as if the halfpenny had been employed in the purchase of another pound of potatoes, and the 4s $1\frac{1}{2}$ d in buying a quarter of a pound more or less of Marechal powder to be put into the hair for a perfume instead of being put into the mouth for nourishment.

It is out of the fund for enjoyment that the portion of wealth allotted to *defence* and the portion, if any, allotted to security in respect of subsistence, must be taken: for out of the portion allotted to subsistence it can not be spared.

But though security increases in proportion as opulence encreases, and inequality is an inseparable accompaniment of opulence, security does not encrease in proportion as inequality encreases. Take away all ranks in respect of opulence between the highest and the lowest, the degree of inequality will be encreased, but the degree of [security]¹ will be diminished.

Luxury is not only an inseparable accompaniment to opulence, but encreases in proportion to it. As men rise one above another in the scale of opulence, the higher will without excess give into expences into which those below can not give without prodigality. It is therefore no more desirable that luxury should be repressed, than it is that opulence should be repressed, that is, that security should be diminished. Luxury, if it were desirable that it should be repressed, could no otherwise be repressed than either by depriving the more opulent classes of a part of their property in this view or coercing them in the use of it. It would be less unreasonable to restrain prodigality wherever it is to be found, than to restrain the highest imaginable pitch of luxury on the part of a man whose expence does not exceed his income.

Large fortunes derived from trade rise one above another naturally

¹[The MS reads in fact "opulence", but this seems to be a *lapsus calami*.]

in gentle and almost insensible gradations, that is with very [little] inequality between any two contiguous classes. Large fortunes consisting in land rise one above another in gradations which may be gentle or abrupt according to the distribution originally made of the land, and according to the disposition of the law favouring or disfavoured the condensation of it.

Even in Britain, with all its opulences, the highest degree of opulence constituted by or derived from trade has never yet risen to a level with the highest degree of opulence constituted by or derived from land.

In France a few of the largest fortunes constituted by land rose considerably higher than the largest constituted in the same way in Britain. At the same time the largest fortunes constituted by trade fell short in at least as great a degree of the largest fortunes constituted by trade in Britain. Even the most opulent of the French financiers did not equal the most opulent of the British merchants: and the fortune made by a financier could not properly be considered as constituted by trade. They were a set of Commissioners of Excise, Customs, Stamp Duties, and Assessed Taxes, paid not by salary but doing their business by contract.

The mass of that matter which is the material cause of wealth, has for its sources

1. land, i.e. dry land uncovered with water;
2. water, i.e. land covered with water.

The matter of wealth, considered in respect of its modifications, may be distinguished in the first place into matter in an unimproved state, in a state in which it comes out of the hands of nature, and matter in an improved state, i.e. modified by human labour for the purpose of its being adapted to whatever uses it may be designed for.

Matter in an unimproved state consists either of 1. mineral bodies; 2. vegetable bodies; 3. animal bodies.

Any distinguishable portion of the matter of wealth may be termed an article of wealth.

An article of wealth, being of use, which it must be, since otherwise it would not be an article of wealth, is either an article of immediate use or of subservient use.

It is an article of immediate use, where it is itself applicable to any one of the three ends above-mentioned, viz. subsistence, security, or enjoyment.

[It is] an article of subservient use, where, though it contributes

to some one or more of those ends, it does so not by any immediate application of its powers to any one of the above three ends, but by the instrumentality of some other article which is of immediate use, and which it renders, or contributes or tends to render, subservient to that use.

Modifications of motion, considered with reference to the source of the motion in each case, may be distinguished in the first place into those which take place without actual contact, and those that do not take place without actual contact, between the body or particle in which the motion originates and that to which it is communicated in the first instance. To the first head belong gravitation [and] attractions and repulsions that belong [to] magnetism and electricity: to the other, animal motion, i.e. motion produced by volition, attraction of cohesion, the motions in which vegetation consists, and the attractions and repulsions called elective, the investigation of which belongs to the province of chemistry: to one or other, as further examination may determine, galvanism.

Expansion is encrease of repulsion as between particle and particle in a mass of expansible matter.

Contraction is diminution of such repulsion.

Expansion and contraction are phenomena accompanying or constituting the passage of bodies from the state of solidity to the state of liquidity, and from either into the state of gas and *vice versa*, by the encrease and diminution of the quantity of caloric or heat.

The only sources of motion or *primum mobiles* as yet employed, or capable as supposed of being employed to advantage with reference to encrease of wealth, are

1. Masses of solid matter by their descent. The sphere of action in this case is extremely limited. By the descent of masses of earth or other bodies that are already at a height, by descending from which they might be made to acquire a value, others might [be] raised in cases in which any others happened to be at hand, the value of which would be encreased by a corresponding ascent.*

2. Masses of liquid matter (water) by its descent. Water has the advantage of serving over again for this purpose *ad infinitum*: being raised by chemical solution in atmospheric air and evaporation,

*Practical rule in economicks [?]. Wherever you have bodies that are to be lowered, and others to be raised, employ the higher, as far as they will go, for the raising of the lower.

i.e. by expansion, it is lowered again by gravity when condensed aloft, i.e. contracted into rain. As a source of natural motion, a piece of a hill or mountain can serve but once.

In the case of the motion produced by the tide, which has been applied to mills, the motion has its source not in expansion and contraction, but in attraction of gravity, as exerted by the moon.

3. Wind, i.e. the air of the atmosphere put in motion primarily by expansion and contraction, and then by gravity, as in the case of water. Wind may be made [to] act either by immediate impulse, as in the case of windmills, or by its impulse upon water, though in this last case not to any considerable advantage.

4. Steam, i.e. water by expansion and contraction, produced by the sudden addition and abstraction of caloric.

5. By the mere expansion of air produced by the sudden application of heat to [a] body of air enclosed in a vessel and standing upon water, the water would rise and, bulk for bulk, replace the air so expelled. By this means water might be raised to a height, and thus become a source of motion by its fall: but the power thus gained would not, it is supposed, be equal to the power that may be gained at the expence by steam.

6. Volition: as in the case of animal motion, produced by the exercise of the *will*.

7. Motion having volition for its source or efficient cause, and the acquisition of any modification of wealth or the fruits of wealth, viz. subsistence, security or enjoyment, for its final cause, is termed *labour*.

Labour is either human labour, or labour performed by inferior animals.

Modifications of labour are termed *operations*.

Human labour exerting itself in the performance of operations, consists partly in the generation of motion, partly in the guidance or direction of it.

The operations by which an encrease of the matter of wealth is produced or promoted, may be thus enumerated under the following principal heads, viz.

1. Discovery, viz. of the source of the raw material, or portion of matter in an unimproved state.

2. Discovery of this or that portion of land, considered as the source from which portions of matter in an unimproved state, [i.e.] raw materials, are extracted.

3. Extraction, viz. of the raw material, from the portion of land which is the source of it.

In France there used to be a set of political writers, whose characteristic opinion and bond of union consisted in denying the existence of all value that was derived from any operation beyond extraction, with or without internal conveyance: maintaining thereby that it is the nature of labour employed in the operations of exportation, importation, and fabrication, at any rate in fabrication, to produce nothing, and in other words to be thrown away. Economists was the name by which these men called themselves or were called.

The practical fruit of this theory was that it is on value given to matter by mere extraction, that all taxes should exclusively be assessed: and that by that means the expence and vexation attending the collection of taxes assessed on fabrication, that is, on what people in general would call value derived from fabrication, would be saved.

The statement and discussion of the opinions of this sect takes up [43] out of the [1482] pages in the 8vo edition of Adam Smith:¹ of which [43] pages it is supposed that this single one may be sufficient to perform the office.

When an encrease of wealth to any given amount takes place, it is either by means of an encrease of labour, or without any encrease of labour.

When it takes place without any encrease in the quantity of labour, it takes place by means of an encrease in the effect, or say efficiency, of the quantity of labour employed.

The degree of efficiency on the part of the quantity of labour employed being given, the encrease of wealth produced by the labour will be as the quantity of it.

If a quantity of wealth which, before the encrease of efficiency, required a year's labour of two thousand men, be now produced by a year's labour of one thousand, the[re] remains the year's labour of one of the sets of a thousand men, which, when employed in the same way, or with the same degree of efficiency as that of the first set, will produce a fresh mass of wealth equal to the original one.

Reducing by one half the number of men employed about an

¹[Since the first two editions of the *Wealth of Nations* were printed in quarto and the above text was written in 1801, the blanks may be filled in according to any edition between the third of 1784 and the ninth of 1799, all of which are in octavo.]

individual mass of work, the quantity of the work done not being diminished by such reduction, is therefore the same thing in effect as doubling the number of men employed with the same degree of efficiency as before.

But this supposes that the number of hands thus rendered superfluous with regard to the production of the given quantity of work, are employed with the same degree of efficiency, or at any rate employed. If not employed at all, no encrease at all in the quantity of wealth will be brought about by the encrease in the efficiency of the mass of labour which continues to be employed: if employed, but employed with a less degree of efficiency, then the fresh quantity of wealth thus produced by the expelled hands will fail of being equal to the quantity produced by the hands retained, in a degree proportioned to what the degree of efficiency in the one case wants of being equal to the degree of efficiency in the other.

If by means of the introduction of machinery, or improvement in the machinery in use, a manufacturer of cloth (suppose) performs with one thousand hands employed in the fabrication of the cloth in its several stages commencing at the raw-material a mass of work the same in quantity and quality as that which before the improvement required two thousand hands, it might seem at first sight from this statement that the natural effect of the improvement would be the retaining the same quantity of hands employed in that branch of manufacture, and thence doubling the quantity of cloth manufactured in the time. But without an addition to the mass of the pecuniary capital, which is a circumstance accidental and not belonging to the case, the retaining of the same number of hands so employed would in no instance be possible. For the production and keeping up of the machinery or other auxiliary means would always require a considerable quantity of labour, the payment of which would be attended with a proportionable mass of expence, by which a proportionable part of the capital would be absorbed.

If the hands employed in the machinery were paid at a rate no higher [than] the hands employed in the manufacture, the number of hands employed by the given capital would be the same after the improvement as before: so many hands less as were employed in the manufacture, so many more would be employed in the machinery. But this supposition is in fact scarce ever realized: not only millwrights, but even ordinary carpenters and joiners will require greater wages than are given to spinners, weavers, and other

hands employed in the manufacture: twice the amount may be no exaggerated difference. If then, to produce by one thousand manufacturing hands the quantity of work that before employed two thousand such hands, is required to constant employment of a hundred hands engaged in the production of the materials and workmanship of the machinery, and these hundred handicraft hands have double the wages of the manufacturing hands, the quantity of pecuniary capital employed not being encreased, the consequence is that two hundred manufacturing hands must be put out of employ, and but one hundred fresh hands brought into employ in the capacity of handicraft [or rather] mechanical hands.

[The] conclusion [then is that an] encrease of wealth by saving of labour is not quite so great as [an encrease of wealth] by [an] encrease of [the] quantity of labour. [It also follows that] opposition to machinery is well grounded, if no care be taken to provide immediate employment for the discharged hands.

At first, the temporary distress will outweigh the temporary enjoyment. But so far as depends on encrease of wealth, the encrease of enjoyment is perpetual.

2. *Agenda.*

General rule: nothing ought to be done or attempted by government for the purpose of causing an augmentation to take place in the national mass of wealth, with a view to encrease of the means of either subsistence or enjoyment, without some special reason. *Be quiet* ought on those occasions to be the motto, or watch word, of government.

For this quietism there are two main reasons.

1. Generally speaking, any interposition for this purpose on the part of government is *needless*. The wealth of the whole community is composed of the wealth of the several individuals belonging to it taken together. But to encrease his particular portion is, generally speaking, among the constant objects of each individual's exertions and care. Generally speaking, [there is] no one who knows what it is for your interest to do, as you yourself: no one who is disposed with so much ardour and constancy to pursue it.

2. Generally speaking, it is moreover likely to be *pernicious*, viz. by being uncondusive, or even obstructive, with reference to the attainment of the end in view. Each individual bestowing more time and attention upon the means of preserving and encreasing

his portion of wealth than is or can be bestowed by government, is likely to take a more effectual course than what in his instance and on his behalf would be taken by government.

3. It is, moreover, universally and constantly pernicious in another way, by the restraint or constraint imposed on the free agency of the individual. Pain is the general concomitant of the sense of such restraint, wherever it is experienced.

4. Without being productive of coercion, and thereby of such pain—in a way more or less direct, more or less perceptible, with this or any other view—the interposition of government can hardly take place. If the coercion be not applied to the very individual whose conduct is endeavoured to be made immediately subservient to this purpose, it is at any rate applied to others—indeed, to the whole community taken together.

In the coercive measures so called, it is only to that individual that the coercion is applied: in the case of measures of encouragement, the field of coercion is vastly more extensive. Encouragements are grants of money or money's worth, applied in some shape or other to this purpose. But for this any more than any other purposes, money is not raised but by taxes: and taxes are the produce of coercive laws applied to the most coercive purpose.

This would not be the less true though the individual pieces of money thus applied happened to come from a source which had not been fed by any such means. In all communities by far the greatest share of the money disposed of by government being supplied by taxes, whether this or that particular portion of money so applied be supplied from that particular source makes no sort of difference.

To estimate the good expected from the application of any particular mass of government money, compare it always with the mischief produced by the extraction of an equal sum of money [by]¹ the most burthensome species of tax. Because by forbearing to make application of that sum of money, you might forbear levying the amount of that same sum of money [by]¹ that tax, and thereby forbear imposing the mass of burthen that results from it.

It would [however] be a gross error, and an extremely mischievous one, to refer to the defalcation thus resulting from the mass of liberty or free-agency, as affording a conclusive objection against the interposition of the law for this or any other purpose.

¹[The MS reads "from".]

Every law which does not consist in the repeal, total or partial, of a coercive law, is itself a coercive law. To reprobate as a mischief peculiar to this or that law a property which is of the very essence of all law, is to betray a degree of blindness and ignorance one should think hardly possible on the part of a mind accustomed to the contemplation of any branch of the system of laws—a total unacquaintance with what may be called the logic of the laws.

Yet so imperfect is the state of legal knowledge: marks of this perfectly surprizing, as it will one day be, as well as much lamented ignorance are to be found among the most experienced pens—not to mention the most loquacious tongues. They are to be found in Adam Smith. Not to mention those houses of authoritative prating, in which an invective on this ground is heard in common [?] with so many others on grounds equally [un]substantial—such as those against informers without regard to the necessity of information, and against encrease in the multitude of the penal laws without regard to their extent.

Power, knowledge* or intelligence, and inclination: where these requisites concur on the part of him on whom the production of the desirable effect in question depends, it is produced; when any one of them is wanting, it is not produced.

When these requisites exist already in perfection, with reference to the production of any effect operating an addition to the mass of wealth on the part of the members of the community taken respectively in their individual capacities, it will be produced without the interference of the legislator; and as his interference is never a matter of pure indifference—never otherwise than hurtful where it is not beneficial—these cases are among the cases in which that interference is not desirable [and] ought not to be exercised.

In the cases where any one of those requisites is deficient, inasmuch that for want of it the effect can not be produced, in such case the interposition of government may be desirable or not, according to the state of the account: according as the inconveniences attached to the measures in which the interposition of government consists, preponderate or fail of preponderating over the advantage resulting from the effect which it is proposed should be produced.

*Knowledge may be considered as a branch of power. It is power so far as depends upon the internal [i.e.] mental condition of the party whose *power* is in question. Power, in the narrower sense of the word, depends upon the state and condition of external objects, objects exterior with reference to him,

his portion of wealth than is or can be bestowed by government, is likely to take a more effectual course than what in his instance and on his behalf would be taken by government.

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¹[The MS reads "from".]

Every law which does not consist in the repeal, total or partial, of a coercive law, is itself a coercive law. To reprobate as a mischief peculiar to this or that law a property which is of the very essence of all law, is to betray a degree of blindness and ignorance one should think hardly possible on the part of a mind accustomed to the contemplation of any branch of the system of laws—a total unacquaintance with what may be called the logic of the laws.

Yet so imperfect is the state of legal knowledge: marks of this perfectly surprizing, as it will one day be, as well as much lamented ignorance are to be found among the most experienced pens—not to mention the most loquacious tongues. They are to be found in Adam Smith. Not to mention those houses of authoritative prating, in which an invective on this ground is heard in common [?] with so many others on grounds equally [un]substantial—such as those against informers without regard to the necessity of information, and against encrease in the multitude of the penal laws without regard to their extent.

Power, knowledge* or intelligence, and inclination: where these requisites concur on the part of him on whom the production of the desirable effect in question depends, it is produced; when any one of them is wanting, it is not produced.

When these requisites exist already in perfection, with reference to the production of any effect operating an addition to the mass of wealth on the part of the members of the community taken respectively in their individual capacities, it will be produced without the interference of the legislator; and as his interference is never a matter of pure indifference—never otherwise than hurtful where it is not beneficial—these cases are among the cases in which that interference is not desirable [and] ought not to be exercised.

In the cases where any one of those requisites is deficient, insomuch that for want of it the effect can not be produced, in such case the interposition of government may be desirable or not, according to the state of the account: according as the inconveniences attached to the measures in which the interposition of government consists, preponderate or fail of preponderating over the advantage resulting from the effect which it is proposed should be produced.

*Knowledge may be considered as a branch of power. It is power so far as depends upon the internal [i.e.] mental condition of the party whose *power* is in question. Power, in the narrower sense of the word, depends upon the state and condition of external objects, objects exterior with reference to him,

If the effect fails of being produced without the interposition of government, for want of any one or more of these requisites, it is by the supply of the requisite or requisites so wanting that the action of government will display itself. Thence, on every such occasion, these questions present themselves for consideration:

1. Whether the effect in question fails of being produced in the degree in which it might be produced?

2. To the want of what requisite or requisites such failure is to be ascribed?

3. What are the means by which such failure may be supplied by government at the least expence?

4. When the expence necessary for the purpose in question is reduced to its least dimensions, is the advantage such as to preponderate over the expence?

In a general view of the three requisites, inclination appears least apt to be deficient on the part of the individual. The general mass of national wealth is composed of the particular masses appertaining to ¹the several² individuals. On the part of the individual there is seldom any deficiency in respect of the inclination to make additions to the amount of that particular mass [of wealth] which has fallen to his share. Uncommercial hands exist indeed almost every where, but every where they are much outnumbered by commercial. The rashly enterprising projectors in [the] one [category], the negligent, the prodigals, and the unprosperous in both, are to be found: but they are much outnumbered by those in whose instance prudence is supported and seconded by fortune.

It is in respect to the two other requisites, power and intelligence, that deficiency is much more apt to take place.

To these deficiencies the abilities of government are happily adapted. Inclination it could not give—it has not power [to] give [it] in the great mass of cases: not by punishments, on account of the expensiveness, and in such cases the comparative inefficacy of such means: not by reward, for want of a sufficient stock of that scarce and valuable matter, which is not to be extracted but by taxes—that is, by punishments.

Intelligence and power are administered by government at a much cheaper rate: intelligence, because a mite of reward, when skilfully applied, is often sufficient to raise an immense lighthouse of intelligence: power, because to confer the sort and degree of power

¹ ²[Put into brackets, apparently at a later date.]

requisite, it frequently requires nothing more than the removal of coercion from one hand to another, or even the repeal of it altogether, the operation in either case not being attended in the shape of pain with any perceptible effect.

The two most extensive descriptions of the cases in which it is necessary or expedient to interfere for the purpose of regulating the exertions of individuals in respect of the encrease of the matter of wealth, are those in which it is necessary to regulate the pursuit of the several objects in view, according to the order of importance: in giving to the matter of wealth that form which adapts it to the purpose[s] of subsistence and defence—security in respect of subsistence, and security in respect of defence—in preference to that which adapts it to the mere purpose of enjoyment.

With few exceptions, and those not very considerable ones, the attainment [of] the maximum of enjoyment will be most effectually secured by leaving to each individual to pursue the attainment of his own particular maximum of enjoyment in proportion as he is in possession of the means. Inclination in this respect will not be wanting on the part of any one. Power, the species of power applicable to the case—[viz.] wealth, pecuniary power—could not be given by the hand of government to one, without being taken from another: so that by such interference there would not be any gain of power upon the whole.

The gain to be produced in this article by the interposition of government, respects principally the head of knowledge. There are cases in which, for the benefit of [the] public at large, it may be in the power of government to cause this or that portion of knowledge to be produced and diffused, which, without the demand for it produced by government, would either not have been produced, or would not have been diffused.

[If the foregoing considerations be correct, a] general description of the operations coming under the head of *agenda*, viz. on the part of government [may be given in the following terms]: Whatever operation, being conducive either to the encrease of the national stock of the matter of wealth, or to the application of it in the most efficient mode to any of its three uses as above described [subsistence, security, and enjoyment] and not being attended with preponderant vexation, is not to be expected to be performed by the spontaneous exertions of individuals: of the three conditions requisite for the

production of this or any other effect, viz. *inclination*, *power*, and *knowledge*, some one or more being wanting on the part of individuals.*

A particular case for the interference of government in this view, is where *inclination* and *knowledge*, both adequate to the purpose, and even *power* (so far as depends on the possession of the matter of wealth) being pre-existent on the part of individuals, nothing but an allotment of *political* power of an *appropriate* kind, requires to be supplied on the part of government. Such is the case where corporate powers are requisite for the management of a common stock; and thereby for enabling individuals, spontaneously associated for the purpose, to give a more effectual combination to their exertions in the pursuit of a common end.

Wherever *non-agenda* have been *acta*, the doing away of these *male acta* may form so many additions to the catalogue of *agenda*.

To this head belong those operations which consist in the removal of obstructions to *sponte acta*.†

*Examples: Establishments for the propagation of knowledge, viz. on the subject of those *arts* on which the augmentation or preservation of the matter of wealth in any of its shapes depends. In England—1. The Board of Agriculture; 2. The Royal Institution; 3. The Veterinary School; 4. The Royal Academy, viz. to a certain degree, if considered in this point of view.

In each of these several instances, the amount of profit reasonably to be expected is beyond calculation: while the individuals, among whom it may come to be shared, are equally out of the reach of conjecture. On the other hand, in the character of a source of profit, there is no limited assemblage or class of individuals, to whom the establishment of any one of these institutions would at the same time have been practicable, and have afforded a reasonable expectation of payment for the expence.

5. An illustrious and more useful example, because more needful, as well as more extensive, than all those English ones put together, supposing the execution to correspond with the design, is afforded by the universities and other education-establishments now setting on foot in the Russian Empire.

6. France, on the same supposition, may be referred to for another.

Of the recently undertaken canal for a communication from sea to sea through Scotland [the Caledonian Canal] the justification will be to be sought for in the same principles, though the preponderance of profit over expence can scarce be expected to prove equally considerable. Of the profit, part, though to an unassignable amount, will distribute itself among a limited, and perhaps individually assignable description of individuals: other part, in portions altogether unassignable, among individuals more clearly unassignable, viz. among the community at large. On this supposition, it seems, it is that the expence is divided between the aggregate of these private purses and the public purse. Suppose the profit to the local proprietors and other neighbouring inhabitants adequate, and suppose a fund, adequate to the whole expence, obtainable from that source, the propriety of a contribution at the public expence falls to the ground.

†Examples: 1. Facilitating the conversion of inter-community of occupation of land into separate ownership.

2. Abolition or modification of those laws by which land is vested inalienably in a line

From the catalogue of *agenda*, having for their object the encrease of the national stock of the matter of wealth in all its three shapes together, must be distinguished any such measures, the aim of which is confined to the encreasing of it in any one of those shapes, at the expence of either of the two others. Measures of this tendency will, so far as they are justifiable, find their justification in the same considerations which prescribe the application of the matter of wealth to its several uses.

In this way a sacrifice is made of the matter of wealth in the most agreeable of its shapes, to the same matter in one or other of the two necessary ones: of the matter of enjoyment to the matter of subsistence, or the matter of defence. Suppose the assumed necessity real, the transformation belongs, by the supposition, to the catalogue of *agenda*.

If, in any nation, for the use of the whole, or any part of such nation, government were to establish, in the character of *security-funds*, magazines of the matter of subsistence—such modifications of course, as are cheapest and least perishable (grain for example)—not to be drawn upon but in times of extraordinary scarcity, an institution of this sort would hardly be thought of, much less be regarded as beneficial and desirable, under the notion of its producing a clear addition to the aggregate mass of the national stock of the matter of wealth in all its shapes taken together. In the catalogue of *agenda* it would not be placed in any other character than that in which it is above described [as a sacrifice of enjoyment to subsistence].

Suppose the nature of the case to be such, that the aggregate of the security-funds laid up in the country in question by dealers may at all times be safely depended upon as sufficient, the establishment of such a fund by government on its own account will be plainly indefensible: pregnant with loss instead of gain (as, in the business of buying and selling, trust-management will naturally of natural successors, how much soever by impoverishment disabled from causing encrease, or even preventing decrease, in the value of its produce.

3. Abolition or modification of laws, which give the like perpetuity to obligations attached to property in land, in the case where those obligations are attended with greater *burthen* (viz. in the way of obstruction of encrease) to the party *on* whom they are imposed, than *profit* to the party *in whose favour* they were imposed. Such is the case with many of the obligations termed (with reference to the party favoured by them) *feudal rights*.

4. Gradual abolition and intermediate modification of those personal obligations which come under the head of *slavery*.

be, when compared with interested management) it would disturb the operations of individual dealers, and be prejudicial, rather than conducive, to the end aimed at—viz. national security in respect of subsistence.

Suppose on the other hand that in that same country, times are continually liable to recur, in which the aggregate of these private security-funds cannot with safety be depended upon, the proposition is reversed. The supposition [that stocks in commercial hands will not always be sufficient to answer the purpose] seems probable at least, and for this reason. The speculations of private dealers are confined to the greater *ordinary* rate of comparative deficiency: they neither do, nor can, make provision for such *extraordinary rates* as now and then take place.

What an individual is glad to give to insure himself against loss by fire, government need not scruple to give to insure its subjects in this way against loss and distress by scarcity. It is in each country an affair of calculation. For the meridian of England, a very considerable stock of *data* have already been furnished by experience. But, what is shorter than calculation, is the reflection that the world is wide, and should the country ever receive another visit from famine (a visit too unpleasant to be thought of), what is not to be had *here*, may *perhaps* be to be got elsewhere.

[A striking example of a] sacrifice of enjoyment to national defence [is the]¹ *English Navigation Act*. Considered as a measure of *special* encouragement, having for its object the encrease of the aggregate mass of the matter of wealth, it falls under the censure passed under a succeeding head.* Operating by discouragement applied to a rival branch of industry, viz. the same occupation in the hands of foreigners, operating in this way, and not by grants of money, it makes no addition to general wealth in the way of *forced frugality*, as described under another succeeding head.† It operates in diminution rather than in augmentation of the aggregate mass of the matter of wealth. It makes England pay more for freight than she would otherwise; and *pro tanto* drives the foreign nations in question from this line of industry into some less profitable one. This loss to England and the rest of the world together—this loss, whatever be the amount of it, is the price paid by England for whatever addition it thus makes to its stock of the matter of defence,

¹[The MS in fact reads: "Example 1st".]

*Non-agenda. Narrow Measures.

† Non-agenda. Broad Measures.

viz. for a sort of *navy of reserve*; for an extra portion of *possible* marine force, convertible into *actual* at pleasure. The ultimate eligibility of the measure will depend upon the reality of the assumed necessity for the maintenance of the sort of security-fund thus kept up, i.e. for that part of the national stock of maritime skill which owes its production and maintenance to this measure.

[Another example may be found in the]¹ allowances in money, given for the encouragement of certain fisheries. Object, the same as in the former case. *Mode* of encouragement being not, as in that case, *indirect*, but *direct*, viz. by allowances given in money at the expence of national wealth, and thence of national enjoyment. The question is, whether without this encouragement the trade would be beneficial enough to be carried on, or not. Let the answer be in the negative: the quantity of the matter of wealth thus bestowed is so much taken from enjoyment and given to defence: and thence, if not necessary to defence, thrown away. Let the answer be in the affirmative: the result of the measure is, besides the transfer of so much of the matter of wealth from the account of enjoyment to the account of defence, a neat addition to the quantity of the whole. But it is only in the supposed necessity of it for the purpose of *defence*, that such sacrifice of national enjoyment can receive its justification. Take away the necessity, there remains wealth purchased at the expence of justice: enjoyment given to one man, at the expence of enjoyment taken from another. A case conceivable, and perhaps realized, is—that, as to part, the allowance falls under one of the above suppositions; as to other part, under the other.

3. *Non-Agenda*.

Whatever is² *sponte actum* on the part of individuals, falls thereby into the class of *non-agenda* on the part of government. Coercion, the inseparable accompaniment, precedent, concomitant, or subsequent, of every act of government, is in itself an *evil*: to be any thing better than a pure evil, it requires to be followed by some more than equivalent good. Spontaneous action excludes it: action, on the part of government, and by impulse from government, supposes it.

¹[The MS in fact reads: "Example 2d".]

²[Bowring's text, p. 42, here interpolates "not", thereby making the sentence nonsensical.]

We have seen the grounds on which the general rule on this behalf—*Be quiet*—rests. We have seen a list of cases, forming, on the grounds there stated, so many exceptions to that rule.

If that list be compleat, and if it could be proved to be so, it would be sufficient, if any measure were proposed as a proper one to be taken by government in this view, *that it is not in the list [sic]*.

But inasmuch as, besides those that are in the list, ¹of which some have and some have not as yet been employed,² there are others that, though not in that list, have been employed, and still continue to be employed, with great energy and anxiety by most, or perhaps by all governments, it will [be] of use to make out something of a list of these *rejected* measures, with an indication of the respective grounds for their rejection.

[The] measures which present themselves in the character of *non-agenda*, may be distinguished into *broad measures* and *narrow measures*: broad measures having for their effect, or their object, the augmentation of wealth in all its shapes without distinction: narrow measures having for their object the augmentation of wealth by the encrease of profit-seeking industry in this or that particular branch, in preference to others, under the notion of its producing more wealth in that than in others.

A. Broad Measures.

Non-Faciendum the first: Forced frugality—or Encreasing the quantum of capital (real capital) by taxes.

By raising money as other money is raised, by taxes (the amount of which is taken by individuals out of their expenditure on the score of maintenance) government has it in its power [to] accelerate to an unexampled degree the augmentation of the mass of real wealth. By a proportionable sacrifice of present comfort, it may make any addition that it pleases to the mass of future wealth; that is, to the encrease [?] of comfort and security.

But though it has it in its power to do this, it follows not that it ought to exercise this power—to compel the community to make this sacrifice.

To a certain degree, to a degree which in the ordinary course of things is quite sufficient for the purpose, the community makes this sacrifice of itself. This voluntary sacrifice is, at least in the

¹ ²[Put into brackets at a later date.]

ordinary state of things, amply sufficient for the purpose. So far as the impulse is spontaneous, so far all is right.

[What then is] forced frugality[?] National opulence promoted, or endeavoured to be promoted, at the expence of justice; national wealth, without regard to the particular shape, encreased, or endeavoured to be encreased, by the application of money in the shape of capital, that money raised (as of course it must be) by taxes: taxes imposed on property or expenditure, as the case may be.

Necessity (viz. for the application of the wealth thus produced to the purpose either of *subsistence* or *defence*) is here out of the question: for necessity, in either of those its branches, constitutes a distinct ground [of taxation].

Injustice the first: forcing a man to *labour*, though it were for his own benefit, where he wishes to *enjoy*. Injustice the second: forcing one man to labour for the sake of encreasing the enjoyments of another man: encreasing his enjoyments, or rather the stock of the instruments of enjoyment in his hands: for all that government can do in behalf of enjoyment, otherwise than by *security*, is—to encrease the quantity of the mass of instruments of enjoyment: application of these instruments in such manner as to produce actual enjoyment, depends altogether upon the individual, and is an effect out of the reach of government.*

When national debt is paid off, it produces this effect, without the objection. On the *buying-in* or *paying-off* of the government

*To the opulence of the Prussian empire, Frederic the Great made some real additions, and some imaginary ones. The imaginary ones consisted in encouragements given to this and that branch of profit-seeking industry: the real ones consisted in capital fairly given: money given on condition of being employed in the shape of *capital*. But to be given to Peter, it must have been taken from Paul: that is from Paul and Peter and their brethren. This he scrupled not to do: his object being—the encrease of the monarch's power and grandeur, not the preservation of the means of enjoyment in the hands of his subjects. In this way opulence may be purchased and to no small amount, by the sovereign who thinks it well purchased at the expence of justice. At this expence it was that Egypt not only was, but continues to be, enriched: enriched with pyramids and temples.

Perhaps having placed himself in a state of perpetual insecurity by injustice towards his neighbours, he found himself under a sort of necessity of encreasing his means of security by this injustice towards his subjects. On this supposition, the injustice consisted—not in the taxes for defence, and the taxes for the production of national wealth as a fund for defence, which the perpetually impending danger had rendered necessary; but in the wars of successful rapacity by which the perpetually impending danger had been produced.

Among the largesses bestowed by the same illustrious monarch, we may find another class which do not come under either head of reprobation. These consist in money given in reparation of damage done by war. Largesses of this class are not only unexceptionable, but useful: being consistent as well with the interests of justice as with those of national

annuities in which the debt consists, the money raised by taxes of which the whole mass, with a trifling exception or two, bears not upon *capital* but upon *income*, is [put] into the hands of the expelled annuitants; who, to make it afford them an income as before, must employ it themselves in the shape of capital, or lend it to others, who will employ it in that shape.

If the sum of money paid by government to such annuitants, on the redemption of their annuities, be greater than the sum received by government on the creation of those same annuities, the quantity of the sum thus raised by forced frugality, and poured into the money market in the shape of capital, receives a proportionable encrease. In some instances for about £50 received, Britain has in this way engaged to pay £100.

Non-Faciendum the second: Encreasing the quantity of money, i.e. Adding to pecuniary wealth, under the notion of making an addition thereby to real wealth.

Labour, not money, is the real source of wealth. All hands being employed, and employed in the most advantageous manner, wealth, *real wealth*, could admitt of no further encrease: but *money* would be encreasable *ad infinitum*.

The effect of every encrease of money (understand of the ratio of the quantity of money employed in the purchase of things vendible, to the quantity of things vendible for money) is to impose an unprofitable income tax upon the incomes of fixed incomists.

The whole of the pecuniary wealth at market will at all times, whether more or less, be worth the whole of the real wealth at market. Introducing more money into the market does but diminish the value of the pre-existing mass of money—it adds nothing to either quantity or value in the way of use, on the part of other things. By doubling his quantity of money, an *individual* indeed, whose whole property is in money, doubles that instant his quantity of wealth:—why? because he thereby doubles the share he is able

opulence. Their utility rests on the same basis as that of insurance against loss by calamities purely physical.

As to the largesses given under the notion of *special* encouragement (encouragement to a particular branch of trade in preference to others), though the addition set down as made on this score by each sum of money so bestowed was imaginary, yet from that same sum of money flowed a real addition, though on a different score, viz. on the score of *forced frugality*, as above explained.

to purchase in that mass, the whole of which is equal in value to the whole mass of purchaseable wealth. But suppose all other individuals, each to double his money in the same time: neither the aggregate of real wealth, nor any man's share in it would thereby receive any encrease.

Every encrease of money by paper money produces a correspondent depreciation in the value of the pre-existing mass of money, and operates thereby as an indirect tax upon pecuniary income; a tax, the benefit of which is reaped by the issuer, and the burthen borne by the possessors of what is called fixed income. If, in issuing it, he employs it in a *non-commercial* way, i.e. pays it away as money, by the spending of which he is said to spend his income, the profit is all his own and it adds nothing to the mass of real wealth: if, in issuing it, he employs it in a *commercial* way, viz. as money is employed in the shape of capital, i.e. in making those purchases of things and labour of which real productive capital is composed, the profit is in this case too all his own, [but] he adds to the national stock of present wealth (real wealth) to the amount of that capital, and to growing wealth to the amount of the current rate of gross profit upon stock or capital: if, in issuing it, he lends it to another by whom it is employed in the shape of capital as above, the borrower gets profit upon stock, deducting interest, and the lender interest, and the addition to real wealth is as before.

1. If the fresh money, on the occasion of the first employment or expenditure made of it, is employed in purchases, the immediate effect of which is to make an immediate addition to the mass of really productive capital, it then makes by the amount of such purchases a clear addition to the growing mass of real wealth, beyond what would have existed otherwise.

But after this step [is] taken, it sinks into the general mass of money and to the amount of the addition thus made to it in point of quantity diminishes its value: the quantity of money in circulation employed in the purchase of vendible article[s] was before the addition worth the whole mass of vendible articles sold, and after the addition the pre-existent and additional mass taken together can not be worth any more.

In this case the effect of such depreciation, is to produce (as explained) an indirect unproductive income tax on fixed incomes, to the annual amount of x times the amount of the fresh money so introduced: x being as the aggregate of the sum composing

the annual income of individuals to the sum of fresh money so introduced.

In Britain the whole mass of pecuniary income may be about three times the mass of money in existence, of which a part only though the greater part, by passing in the course of the year through a number of hands, greater by some number, but not a great number, than three, constitutes the above mass of pecuniary income. If then each added mass divides itself as between the hoarded portion and the portion in circulation in the same proportion as the pre-existing mass is divided, it follows that for every £100 added thus to capital, and producing [a profit] to the employer of it in a commercial way, or to the employer borrowing it and the creator lending it between them, a perpetual tax of £300 a year is imposed upon the class on whom the burthen of the tax falls, viz. the class of possessors of fixed income, subject to a deduction from this £300 a year, to the amount of £15 a year, being the equivalent in money for the fresh goods produced by the employment of the £100 of fresh capital, where the money is employed in a commercial way, but without any deduction, where it is employed in a non-commercial way.

Call the aggregate mass of money in circulation 72 millions: and the aggregate of national income 216 millions: $72 \times 3 = 216$: and let the fresh money so introduced in the compass of a year be one million. The effect of this one million of fresh money so introduced is to add to the 216 million, being the money or pecuniary power representative of the aggregate amount of the national income, 3 million, making together 219 million; while the real income itself, the mass of consumable and other vendible articles of all sorts to be had for the money is not encreased, any otherwise than by and in proportion to the addition made to the mass of real and really productive capital by the first expenditure of the money, as above.

The amount of this tax is drawn back as it were before hand by those who receive a share of the fresh money equal to the amount of the depretiation: these receive before hand a compensation (adequate in money at least, howsoever it may [be] in regard to feelings) to their loss by the indirect tax. On those who receive no share of the fresh addition to money, on those whose sole income consists in an unencreasing sum of money, it bears with undiminished pressure.

In this case the operation coincides with the one already reprobated, the making addition to the mass of national capital by money raised by taxes. The difference is [only] that [in] the mode in which the money is [thus] raised, [it] is raised on terms beyond comparison more disadvantageous—disadvantageous to a degree of usuriousness much beyond any thing ever exemplified under that name: [it is] money raised at an interest of 300 per Cent payable for ever by the possessors of fixed incomes.

From the amount of this depretiation, and this interest, would be to be deducted, on a strict reckoning, an equivalent for the goods produced in each year by the addition thus made to the mass of real capital: say [as above] 15 per Cent for ever, upon the million so employed. But this deduction is so small, as to be scarce worth bringing to account. Upon the 3 million a year it amounts to but £150,000.

2. If the fresh money, on the occasion of the first employment or expenditure made of it, is employed in purchases, the immediate effect of which is *not* to make any immediate addition to the mass of really productive capital, it then makes no addition to the growing mass of real wealth.

In this case there is the usurious interest as in the former—the interest of 300 per Cent—but the profit [is] altogether wanting. The 3 million a year income tax stands pure and neat: the £150,000 deduction has no place here.

When the addition made to money is made by metallic money, no such addition to real wealth [and] no such deduction from the amount of the indirect income tax takes place. If imported, being imported by commercial hands, it is employed in a certain proportion in the shape of capital: but if, instead of the £100 of money or the materials of money, property to the same value had been imported in the shape of vendible commodities, those commodities would, on being sold, put into the hands of the seller £100 in the shape of money, to be employed by him as capital, as much as if the value had been imported in that shape: the only difference is that in the one case the money employed by him as capital is money belonging to the old stock, in the other case money added to the old stock.

If coined out of metals produced from mines within the country, there is no more room than in the other case for any such deduction from the amount of the indirect tax of £300 per Cent per

annum in real wealth for every £100 added as above to nominal wealth.

When governments add to money by paper money, it is commonly in a non-commercial way: where individuals singly or in association make the like addition, it is most commonly in a commercial way: though in a non-commercial way it is natural that these coiners of money at the public expence, these uncommissioned sovereigns or unpunishable and irreproachable robbers ¹(for they may be called both or either)² should put off as much of it as they can get any body to take.

Whether by governments or individuals, it may now be seen at what expence the profit is acquired: and at how much cheaper a rate the end, whatever it be, would be accomplished, without any such addition, by money drawn out of the old stock.

[The following is an] indication of the indirect income tax resulting from encrease of money: In Britain (anno 1801) money is about £72,000,000, income about £216,000,000 ($72:216 = 1:3$). Each million added to money, adds therefore three million for ever to *pecuniary* income; and this (setting aside the 15 per Cent for ever, £150,000, for profit on the million, if employed in the shape of capital) without addition to *real* income. If every year £2,000,000 be added to *money*, *plus* £300,000 for an equivalent to the addition made as above to *real* wealth, in 36 years (anno 1837) the nominal or pecuniary amount of a mass of real income equal to the amount of 1801 will be doubled, i.e. become £432,000,000: to which will be added £10,800,000 for an equivalent to the intermediate addition to real wealth (£300,000 \times 36). But the £432,000,000 of 1837 being worth no more than the £216,000,000 of 1801, each £100 of the £432,000,000 will be worth but £50 of the £216,000,000; that is, the income of each *fixed incomist* will have been subjected to an indirect income tax of 50 per Cent. He whose pecuniary income in 1837 is double what it is in 1801, will in point of *wealth* be neither a gainer, nor a loser, by the change. Not so in point of *comfort*. For, by so much as he is a gainer in wealth in the *one* way, by so much he is a loser in the *other*: and by the nature and constitution of the human frame, sum for sum, enjoyment from *gain* is never equal to suffering from *loss*.

If, on the first introduction of the additional money into the circulation, it passes in the first instance into hands who employ

¹ ²[Brackets of a later date.]

it in the way of unproductive expenditure,* the suffering from this tax remains uncompensated altogether: if, before it comes into any hands of that description, it has come into hands by which it has been employed in the shape of capital, the suffering by the income tax is partly reduced and partly compensated. It is reduced, by the mass of things vendible produced by means of it: a mass, by the amount of which, were it not for the correspondent encrease in the mass of money, the value of the mass of money would *pro tanto* have been encreased, and the prices of things vendible decreased: it is in a certain degree, though in a very inadequate degree, compensated for by the same means, viz. by the amount of the addition made to the quantity of serviceable wealth—of wealth possessing a value in the way of use.† Here, as in the above-mentioned case of forced frugality, national wealth is encreased at the expence of national comfort and national justice.

No sooner, however, does it pass on from this its primary destination (that of adding to real capital) to the other, viz. that of adding to unproductive expenditure, than its operation in the way of making an addition to real wealth is at an end. No sooner does it go in addition to the money employed in the purchase of articles for consumption, than its power of producing an addition to the mass of the matter of real wealth is at an end: thenceforward and for ever it keeps on contributing by its whole amount to the encrease of prices, in the same manner as if from the mines it had come in the first instance into an unproductive hand without passing through any productive one.

Of the proportion between the illusory and the real part of the supposed addition to real wealth, the rise of prices, in a country where no fresh money has been poured into unproductive hands without first passing through a productive hand, is at once a demonstration and a *measure*. So much of the added money as hath not been accompanied by a countervailing addition to wealth, goes to produce the rise of prices. So much of it as hath been accom-

*As if a proprietor of a mine of gold or silver, living solely on the income yielded to him from his mine, and spending his whole income, as income is spent by non-labouring hands, were to receive an encrease of such his rent in the shape of gold or silver ready coined, and spend the whole of it as before.

†Money, inasmuch as while it remains in the same hands it possesses not any value in the way of *physical use*, has no other value than what at the instant of its passing from hand to hand it possesses in the way of *exchange*.

panied by a countervailing addition to wealth, whether it have contributed any thing to that addition or no, is over and above that portion which has been solely employed in producing the rise of prices. Suppose that within this¹ last half century, in the whole commercial world taken² together, wealth has received an encrease to the amount of one fourth, and at the same time prices have doubled. It follows, that of the money now existing in that world, nearly half has to a certainty been worse than thrown away, having been employed in the imposition of the unproductive income tax above described. And as to the addition to wealth, it is a matter of uncertainty what part, and even whether any part, has been produced by the addition to money, since without any such addition it might have been produced, as well as by it.

In respect of the *ratio* of money to things vendible, of the aggregate of the one to the aggregate of the other, the state of things most desirable is—that it should continue the same at all times: no encrease at any one time, no decrease at any other.

The tendency of a decrease, if sudden, and to a certain degree considerable, is to produce general bankruptcy: the mass of pecuniary engagements entered into within any given period of time being grounded of course on the existing ratio of money to things vendible at that time, and not on the supposed suddenly supervening, or any other inferior *ratio*. If at any time, ³the mass of things vendible not being in the same proportion decreased,⁴ out of the quantity of money of all kinds habitually in circulation, a portion of any sort, in the supposed degree considerable, be suddenly defalcated, the deficiency must be supplied by some portion of another sort, or something that will be accepted as equivalent, or the supposed general bankruptcy follows of course.

The tendency of the like decrease, in so far as it is permanent, but too gradual to be productive of general bankruptcy, is—to impose an unproductive income tax, parallel to that above mentioned, but upon a different set of parties: upon all parties charged with annuities, or other fixed payments, on the ground of contracts to which it is not in their power to put an end.

As to an encrease in the ratio of money to things vendible, the tendency of it in respect of the unprofitable income tax by encrease

¹[The secretary's copy of Bentham's draft reads "the".]

²[This word is missing in the secretary's copy.]

³ ⁴[Put into brackets, perhaps at a later date.]

of prices of things vendible—by depreciation of money—has been shewn above.

So far as the addition to money is made in the shape of metallic money, the mischief producible by it is confined to that of the depreciation, as above: so far as it is made in the shape of paper money, consisting in promises of metallic money, the amount of which promises is accordingly exigible in the shape of metallic money, to the actual mischief of depreciation is superadded the contingent mischief of general bankruptcy.

Non-Faciendum the third: Forced reduction of the rate of interest.

Reducing the rate of lawful interest is in other words imposing a tax on those whose property consists in ready money, and whose income is derived from the lending out of that money for an annual recompence, called the *interest* of it: the produce of which tax, instead of being paid into the public treasury, for the service of the public, and in lieu of the burthen which would otherwise be to be imposed to the same amount in some other shape, is made over gratis to those whose circumstances oblige them to borrow money or enable them to borrow it to advantage. It is imposing an unproductive income tax—not an indirect one, as in the former case, but a direct one. [The tax thus levied]¹ is not, as in the case of the encrease of money, gradual, and in its amount in some degree uncertain and questionable; but sudden and determinate. Reduction from 5 to 4 per Cent would be a tax of exactly 4s in the pound.

As to the effect in the way intended, it would be purely illusory. To the proportion of money employed in the shape of capital, it would make no addition: if by impoverishment it forced some who by anterior opulence had been either withholden from trade or withdrawn from it, to embark in trade, so much capital as they thus embarked in a trade of their own, so much would they withdraw from the trade of those other traders, to whom otherwise it would have been lent.

Instead of adding to, it would defalcate from, the aggregate mass of wealth. Being a tax on money lent in the shape of capital within the country, it would in effect be a prohibition: prohibiting the

¹[The MS reads "It". Here a passage written in 1801 and a passage written in 1804 had to be combined; the little change indicated in this note was necessary to secure a smooth flow of the argument.]

keeping it there, and under a penalty equal to the amount of the tax. It would have the effect of a bounty on the exportation of it to any country, where any rate of interest higher than the reduced rate would be to be had.

The expected addition, being an illusion, has its source in another illusion. Encrease of wealth, though not the effect, is apt to be an accompaniment, of a reduction in the rate of interest. As capital encreases, wealth encreases: and as capital encreases, if the effectual demand for capital (for money in the shape of capital) does not encrease in so great a proportion, men will not give so high a price for the use of it as they did before. The reduction, in this case, is the result of *freedom*: and though it does not itself encrease wealth, it cannot take place any further than as wealth is encreased by other causes. The reduction here contended against, is the product of *coercion*: and whenever the illusion prevails, it may be carried into effect at any time, in the poorest country as well as the richest, in the most declining as well as the most prosperous, accelerating and aggravating the decline.*

The mischief that would be produced by a reduction in the rate of lawful interest, is over and above the constant mischief produced by the fixation of that rate: concerning which, see the *Defence of Usury*.

Non-Faciendum the fourth: Encreasing the quantity of land, viz. by colonization.

Land is worth nothing, but in proportion as labour is applied to it. Land at a distance is worth less than land at home, by the amount of all the distance. Of the mass of labour which is employed in adding to real wealth, no inconsiderable portion is employed in lessening the expence of carriage—in reducing the expence of carriage from a great distance to a level with the expence of carriage from a less distance. If it could be done without destruction to existing capital, and above all without vexation, and destruction of security of property, wealth might be encreased by taking the

*In Ireland, in 1788 or thereabouts, the reduction of the rate of interest from 6 to 5 per Cent was proposed in Parliament as a means of encreasing wealth: but, though proposed by administration there, rejected after a hard struggle. ¹The *Defence of Usury*, which I sent over at the time, contributed to throw out the measure, as Parnel[1], then Chancellor of the Exchequer, very good-humouredly acknowledged to me.²

¹ ²[This passage is a marginal note, originally destined only for Dumont.]

existing population, and transporting it from greater distances with reference to the metropolis, to lesser distances.

Land newly acquired to a nation, especially in the way of colonization, is acquired at a greater distance. [The] foundation of a colony is an introductory expence; government of it a continual standing expence; wars for the defence of it an occasional one. All this requires money: and money is not to be had for it but from taxes. To the mother country, the positive profit from it is equal [to] 0: the negative profit, the loss to, [or] the defalcation from, national wealth, consists in the amount of the taxes.*

That an encrease of wealth to the world in general is the result of an establishment of this sort, is not to be doubted. If labour be necessary to the production of the matter of wealth, land is no less indispensable: and the land obtained in these cases, being the result of choice, is generally of a superior kind; rich even already in raw materials which require nothing but extraction and conveyance to give them a value.

But the encrease is to the colonists—to the individual occupiers of the fresh land, not to the mother country. Taxes they at first can not pay, and afterwards will not pay. To settle them, to protect them against adversaries, to protect them against one another, to

*When, at the expence of a war, and of a hundred millions, and a hundred thousand lives sacrificed in that war, England has got another nation or another colony to trade with,—the foreign nation maintaining itself at its own expence, the colony to be maintained at the mother country's expence—whatever portion of wealth in the shape of capital is *transferred* to the new spot, the Englishman considers as *created*. For a few *negative* hundred thousands a year, he looks upon the positive hundred millions as well bestowed. On the strength of this negative encrease in opulence, the Englishman encreases in insolence; the German envies him, the Frenchman would devour him, and thus it is that wars are never to have an end.

But though, in the way intended, no good is done, good is done in another way, in which it is not intended. By the export of capital, a check is applied to the virtual income tax, imposed upon fixed incomists, by the reduction effected in the rate of interest by the continually encreasing *ratio* of that part of the mass of money which is employed in the shape of capital, to the remainder which is employed in the shape of expenditure of income.

If, from the acquisition of a colony, any real advantage were derivable to the mother country, whence would it arise? From the diminution in the burthen of taxes: from the amount of taxes paid, by the inhabitants of the colony, to the government of the mother country, over and above what they would have paid, had they staid [*sic*] at home: the expence of governing and defending the colony being first defrayed by them. But it is a maxim, that by or for the mother country, colonists, as such, are not to be taxed at all: and thus it is that the inhabitants of the mother country are benefited by 'the acquisition of' colonies.

* ²[Put into brackets at a later date.]

keep them in obedience—all this requires expence: establishments, civil, military, naval—all this requires expence: all this expence must be or at least is borne by the mother country, and it is by taxes imposed on the inhabitants of the mother country that the money for this as well as the other public expences of the mother country is to be raised.

Colonization ¹is or at least² was a folly grafted on a folly. Encouragement to new productive industry exercised at home, gave actual wealth for actual wealth. Colonization for actual wealth gave nothing but contingent; contingent which at the best was distant, and of which the realization was in all cases uncertain, in some hopeless. The capital employed in the exportation and maintenance of the colonists and their stock would, if employed at home, at any rate have added something to the annually growing wealth* as well as population, and thence the defensible security of the home territory, by the whole amount of it. Of the produce of the colonists when settled in the colony, it is only a part that would be exported to the mother country and be added to the mass of its wealth.

In point of wealth and population, Europe has lost by colonies. The only gain, if any, is that which consists in mere enjoyment, and that so far, and no further, as it depends on novelty and variety in regard to the articles or instruments of enjoyment:† the using cane sugar instead of honey or beet or maple sugar—the making tea, coffee and chocolate breakfasts instead of the meat and ale breakfasts that contented Queen Elizabeth—the adding cochineal and indigo to our blue dyes, instead of being confined to woad, Prussian Blue and a few others: the using cochineal and garnetts for dyeing our clothes, instead of other reds of somewhat inferior brilliancy.

Even this advantage, such as it is, depends upon the situation of

¹ ²[Crossed out, perhaps by Bowring.]

*Bryan Edwards,³ even in magnifying the utility of colonies, makes the rate of profit upon capital so employed but 7 per Cent: the common calculation gives, for the profit on capital employed within the mother country, 15 per Cent. Whatever capital is bestowed upon this employment, is so much taken from other more lucrative ones.

³[*The History, Civil and Commercial, of the British Colonies in the West Indies*, 1793, II, 260.]

†Novelty, whence encrease of variety in regard to instruments of mere enjoyment, or articles of subsistence considered as instruments of enjoyment, add nothing to quantity of wealth, but leave it as it was, so far as the old are superseded and kept out of existence by the new. Example: new fruits and flowers, new stuffs, new colours, new fashions for clothing and furniture, useful and ornamental new productions of the imitative arts. But in as far as novelty and variety are sources of enjoyment, as these encrease, so does wealth, if not in *quantity*, yet (what is as good) in *value*.

the colony in a climate the productions of which are incapable of being profitably naturalized in our own. So far as concerns gold and silver the effect of Spanish colonization has been to add to the quantity of gold and silver plate of Europe, and to the quantity of gold and silver money. In the first instance it has added to wealth: because of the mass of wealth in other shapes that would have been produced [by labour] if the gold and silver [plate] had not been produced by it, so large a portion would not have remained to us as hath remained of the manufactured gold and silver: in the other instance it has been all loss, the new extra mass of gold and silver [money] having had no other effect than the operating *pro tanto* in depretiation of the old, and producing the indirect income tax above-mentioned, without any addition made to real capital, and thence to growing wealth.

Nevertheless, taking futurity into the scale, the well-being of mankind appears to have been promoted upon the whole by the establishment of colonies. Taking Britain for example, at the rate at which population has been encreasing for this last century, long before the conclusion of the present century, the population would have extended beyond the utmost number for which the soil would be capable of affording sustenance: long before which period [a] great diminution of relative opulence, a severe sense of general poverty and distress, would necessarily have taken place.*

It is desirable for mankind that offsets should be taken from the most flourishing and soundest root: that the races propagated every where in parts of the earth as yet vacant, should be races whose habits of thinking in matters of government should be taken from that constitution from which the greatest measure of security has been seen to flow, and whose habits of acting in the sphere of domestic economy and morals should be taken from that society which, in those respects, is in the most improved as well as improving state.

It is of advantage to such colonies that they should continue under the government of such their mother country, because it is of advantage that the men whose will forms the positive standard in

*As the encrease of population is naturally more rapid in [a] newly settled and unappropriated land than in [an] old and long appropriated land, in hot countries than in cold, in climates in which vegetation is quick than in climates in which it is slow, the number of Briton[s] after transplantation in so many colonial climes will soon be much beyond what in the same compass of time it would have been, had no such transplantation taken place.

points subject to regulation, and whose moral conduct forms the natural standard in points exempt from regulation, should be men whose education has been derived from that most pure and elevated source: men among whom are to be found some whom hereditary opulence has exempted from the necessity of binding down their minds to the exclusive pursuit of pecuniary gain: to whom it is possible at least to think chiefly for the public instead of acting and thinking exclusively for themselves: men who have leisure as well as money to bestow upon those more elevated pursuits by which the heart is softened and the understanding expanded and adorned. It is of advantage to the colonists to be regulated by minds such as those of the Hastings's, Teignmouths, Cornwallises, Wellesleys, Maccartneys, Hobarts, Norths, Dorchesters, Simeons, rather than those of the Tippoo's, the Wan Lan Yun's, the Scindias, or those of the disciples and associates of Thomas Payne.

It would be to Egypt an advantage beyond all price, to be under the government of Britain—that is, under a government of universal and perpetual security, or even under the government of France, that is, under a government exempt from cruelty, softened and adorned with every branch of intellectual cultivation, a government in which security and tranquillity would at any rate predominate, though disturbed perhaps by occasional fits of discord and insecurity—rather than under a government by which the very idea of security is banished, a government in which for want of that very imperfect degree of security which would be sufficient to maintain population in countries so richly favoured by nature, the numbers of mankind are seen condemned to a continual decline, a government rivetted to a religion of which incurable barbarity and ignorance seem to be inseparable features.

It would have been for the advantage of the new independent Anglo-Americans to have continued in the state of unburthensome dependence in which they might have continued in relation to Great Britain: to have sent their children, such whose circumstances could have admitted of it, to that school of moral and intellectual virtue, and to have received from thence all their governors with a large proportion of their clergy, their military and naval officers, their professional men and artists. Independent America might then have been in all respects equal, and in many respects superior to what Canada is now: and might have escaped the exhibiting that unvaried scene of sordid selfishness, of political altercation, of

discomfort, of ignorance, of drunkenness, which by the concurrent testimony of all travellers it presents at present. Those intestine commotions which the temper and reputation of a Washington, added to the recent memory of a common cause and social struggle, kept suspended not without difficulty, but which may now be expected to break out at any time, would during the continuance of such dependence have been impossible.

It would have been for the advantage of America: but not so to Britain, in any other respect than the avoidance of that war so baneful to both parties as well as to so large a part of Europe.

Had wisdom prevailed over passion, the object of contention would have been reversed. The language of America to Britain would have been that of the Britains [*sic*] to the Romans. "*Keep us and save us*":—the answer of Britain would have been that of the Romans to the Britons:—"It belongs not to us to keep you—save yourselves."

B. *Narrow Measures.*

Giving birth or encrease to this or that particular branch of productive industry, under the notion of giving an encrease thereby to the aggregate of the national mass of wealth.

By additions to the quantity of capital employed in this or that branch—aggregate quantity of capital employed in all branches not being encreased—a nation can no more add wealth to its stock, than a man can add a cubit to his stature.

Given in the shape of money, encouragements (so called), special encouragements, though they miss the good they aim at in the shape of special encouragement, produce in the shape of general encouragement another good which they do or do not aim at: the addition made to wealth as above, by forced frugality at the expence of justice.

Given otherwise than in the shape of money—given by discouragements applied to rival branches—they make no addition to wealth by forced frugality, and therefore make no addition at all to wealth. Discouragements [for instance] to the import, and thence production, of foreign goods, are discouragements to the export, and thence to the production, of the home goods that would have been taken by the foreigners in exchange for their goods.

Of the favour¹ shewn to home goods, in comparison of foreign

¹[The MS of Bentham's secretary spells the word "faver" but the autograph draft shows the usual spelling, as above. Cf XVII, 268 and 327.]

goods, what is the result? That in each country men get their commodities either not so good, or not so cheap, and thence not in such plenty, as they would otherwise. Such not only is the result of all these conflicting operations, on the part of all nations taken together, but, to the extent of the operation, would be so in each, even if there were no such retaliation any where else.

The aggregate mass of money employed in the shape of productive capital, will, in all branches of industry taken together, be productive of so much per Cent, upon the amount of it—say 15 per Cent, or more or less, according to the average rate of profit upon stock in the country in question, which is in the inverse ratio of that portion of the mass of money in circulation, which is employed within the year in the shape of productive capital, to that portion of it which is employed as money is employed by a man who is said to spend his income.*

If in one of those branches the rate of profit is greater than in others—in the one 16 [per Cent] for example, in the others but 15—the greater the portion of capital employed in this most productive branch, in preference to others less productive, the greater the annual addition to the aggregate mass of national wealth. But so long as they do but know which of all the branches open to them is most productive, individuals that have unengaged pecuniary capital to employ are already as compleatly disposed to employ it in this most profitable branch as all the exertions that can be employed by government can make them be.

Encouragement afforded by government to this or that particular branch is therefore either useless or mischievous: useless if it be more productive than any other, mischievous, in the opposite case.

Inclination, power, knowledge: inclination to apply himself to this most profitable of all branches is what the individual never can be in want of: power depends generally upon money, which can not be given to one individual without being taken from others: knowledge as to what branch of industry would be most profitable to him is what in general each individual is apt to be possessed of in a greater degree than government: though if government, through the industry or sagacity of any of its agents, happens in this or that particular case to have more knowledge about the matter than the individuals who have the choice to make, there

*Each being multiplied by the number of times it has been employed within the year in making the purchases of which ultimate prices are composed.

can be no harm in the diffusion of it at the expence of government, because by even the mere advance of an impalpable portion of money well applied, an infinity of useful knowledge may be diffused.

It may happen in some instances, that a branch of industry which, if pursued, would be more profitable than any other, requires a mass of capital of such magnitude, as individuals separately taken or in small numbers are not able to raise. But where this happens, it can only be in consequence of some positive regulation of government, which in contemplation of the mischief apprehended from overgrown masses of capital in certain cases forbids, limits, or seeks to limit, the quantity of capital that shall be applied under one management to any branch of industry, by limiting the number of individuals who shall be allowed to contribute to it, or by not suffering a man to embark in trade any part of his property without embarking the whole. In giving an encouragement in this shape, government does little or nothing more than remove discouragements of its own creating, and the good it does, if any, is done at no expence.

When by the exertions of government a mass of capital, which otherwise would have gone into a branch of productive industry producing but 15 per Cent, is directed into a branch producing 16 per Cent, the profit by those exertions is not the 16 per Cent, but the difference between that and the 15 per Cent, viz. the one per Cent. It is for the 16 per Cent, however, and not the one per Cent, that credit is commonly taken by those statesmen who go to market for glory with the merit of affording encouragement to trade: and if 10 per Cent be the profit upon stock in the new branch, the whole 10 per Cent is taken credit for as profit by the measure, though 5 per Cent loss has been the real fruit of it.

It is for the encouragement or creation of particular branches of trade or industry that statesmen [have]¹ founded and defended and conquered, or attempted to conquer, colonies. It is for the sake of colonies, more than for any thing else, that governments have been at the expence of a marine: and reciprocally for the sake of a marine that they have established or defended colonies. In Europe, those who are governed pay for the expence: in America, it is become a principle that those who are governed are to be paid for it. In Europe, the expence of government is borne by the governed: in America, by the governors. It is in Hindostan alone that men pay in wealth for that security which before they never knew: a

¹[The MS reads "has".]

2. Causation of encrease. Institutions on the part of government, having for their end in view the causation of encrease of population by births, may best be characterized by a parallel example—institutions punishing men for not eating, or for eating food not sufficiently nourishing: institutions paying all mankind for eating, with premiums for those who eat most and oftenest.

To this head may be referred penal laws punishing for what is commonly meant by infanticide, for abortion, for irregularities of all sorts in the venereal appetite. The apprehension of a deficiency of population for want of the regular intercourse between the sexes in the way of marriage is altogether upon a par with an apprehension of the like result from a general disposition in mankind to starve themselves. Days in a year, 365: average power and disposition for procreation, say equal to one act of sexual conjunction *per diem* the year round. Number of children capable of being produced between each pair by a single act of procreation on the first day of the 365, 1; number of children capable of being produced by an act of sexual conjunction for each day of the year, one and no more. On these assumptions, the disposition to sexual conjunction in the regular way is 365 times as great as it need be to the production of the maximum of effect in the way of population. Halve the ratio or double it, the conclusion will be the same. Before any the least decrease of population could have been produced by the untroubled indulgence of irregular appetites, the regular gratification of the regular appetite must have become *unnatural* to an extreme.

For the penal laws of this class, an anxiety about population has never been any thing but a pretence. In the principle of utility, they have no ground whatever. Of the establishment of these laws the historical causes are to be looked for exclusively in the conjunct influence of the principles of asceticism and antipathy.

To be consistent, the ascetic should extend the prohibition and the punishment to every act of sexual conjunction or gratification between married persons, either of them beyond the age of fecundity, and, within that age, in the interval between conception and convalescence after childbirth: as likewise to deserts following a full meal, and to the use of tobacco in every shape &c. &c: the antipathist, to every sort of act which affords to others a gratification in which he has no share. The chewers of betel-nut should mutually extirpate, and be extirpated by, the chewers, snuffers and smokers of tobacco. Expressions of abhorrence for inclinations not his own

is a price which no man need grudge, and which the most worthless never grudge, to pay for the praise of virtue.

III. FINANCE

1. *Sponte Acta*.

Finance operates *in toto* in diminution of wealth [since for the needs of the community provision can only be made at the expence of the individuals composing it. Financial operations can not, therefore, unless by accident, come under the head of *sponte acta*; they belong, all of them, to the head of *agenda*]: the object or end in view is—to render the diminution as small as possible, and as pure as possible from collateral vexation, and inconvenience in every shape.

2. *Agenda and Non-Agenda*.

Finance [is] an appendix and inseparable accompaniment to political economy.

Taxes [are] sacrifices made of wealth and opulence at the expence of enjoyment, to security in respect of defence, and security in respect of subsistence.

The [general] end [of political economy] is pursued in a direct and primary way, by operating towards the maximum of positive encrease: in an indirect and secondary, but not less efficient way, by operating towards the minimum of decrease.

Taxes and other means of supply for the expences of government, wars with their taxes and their devastations—are means by which, of necessity, in a certain degree, too often beyond the extent of the necessity, decrease in the amount of wealth and population is produced. In this way the field of political economy includes within it the field of finance.

A tax, in as far as the thing taxed is abstained from, operates as a prohibition: as a discouragement to that branch of trade or production to which the thing belongs, and as an encouragement to rival branches, that is more or less to all other branches. Hence another head of connection between finance and political economy in its narrower sense. The same illusion which has recommended the encouragement of particular branches of wealth as a means of

increase to the whole, has led to the exaggeration of the bad effect of taxes in this point of view.

Hence the care taken by governments to throw the weight of taxes upon imports and home productions rather than upon exports: ¹that is², upon their own subjects, rather than upon foreigners.

The operations of finance are reducible to receipt and disbursement, or say expenditure.

Receipt may be 1. without condition of return; 2. on condition of return, i.e. on the footing of a loan.

Disbursement is accordingly 1. disbursement at large; 2. disbursement in discharge of loans. All expenditure supposes previous receipt, and commonly necessitates future [receipt] for the purpose of replacing it.

Receipt and expenditure are either 1. of money, 2. of particular articles for service.

All other sources or efficient causes [of finance] are inconsiderable in their amount in comparison of taxation.

Every sum expended supposes therefore a correspondent amount already raised, or to be raised, by taxes.

Practical rule supposed to be a new one: To judge of the expediency and eligibility of any branch of expenditure, compare the benefit of it with the burthen of a correspondent portion of the produce of the most burthensome tax. For by striking off so much expenditure, you may save so much tax.

Taxes take from present enjoyment: [they] diminish comfort in proportion as they are paid by each contributor out of that portion of his wealth, which, had it not been for the tax, would all of it have been spent within the year in the way of maintenance, as money is spent by a man who is said to spend his income.

Taxes diminish future wealth in proportion as they take from capital, viz. by being taken from that portion of a man's money, the whole of which, had it not been for the tax, would have been spent on articles by the purchase of which real capital is increased: or even by being taken from that portion of his money which is expended in the way of maintenance, in so far as the money, had it not been taken from him by taxes, would have been employed in the shape of pecuniary capital, by which real capital is increased.

Taxes, therefore, take from growing wealth 1. in as far as they are levied on capital, viz. on money destined for employment in

¹ ²[Put into brackets at a later date.]

the shape of capital or on goods or labour of which real capital is composed; 2. in as far as they are levied on the income, or expenditure in the way of income, of men who lay up money to be employed as capital, or would have laid it up, had it not been for the tax.

Borrowing money to defray war expenses (operations or preparations) takes from pecuniary capital, thence from real capital, thence from growing wealth, in the amount of the sum so raised: *minus* the amount of mercantile profit upon such part of the expence as consists of purchased articles.

Repaying money formerly borrowed for war or other expences adds to pecuniary capital, thence to real capital, thence to growing wealth, to the amount of the money so employed in such repayment or discharge, deducting such part, if any, as is exported without return to foreign countries; which is the case with such part as is exported by the proprietor, to be employed abroad by him or on his account without being reimported, that or the profit made by it.

By the mere discharge of a million worth of debt, as much or more is therefore done towards the encrease of wealth, as by a million given in the way of bounties for the encouragement of this or that particular branch of trade.

Those who in the one case receive the amount of the debts respectively due to them, give up the future interest, and the rest of the community is exonerated from the payment of it: those who in the other case receive the million on the score of bounty, give up nothing in return for it.

The encrease which wealth has received from measures pointed directly to that end is as nothing in comparison of what it has received from measures which, not being pointed at that end, had nothing else in view than the mere discharge of debt. The sum which the British government annually employs in that way is already risen above 5 millions and in a few years will have risen to double that amount. While the war lasts, the sums borrowed, and thence taken from capital, greatly exceed that amount: in the last year [i.e. 1800, they reached about 20 millions].¹ Yet still real capital and growing wealth encreases. How much more will it encrease on the return of peace, when the defalcation has ceased altogether, and unballanced neat addition has succeeded to it?

¹[Cf. Sir John Sinclair, *The History of the Public Revenue of the British Empire*, 3rd ed., 1803, I, 472.]

Taxes are either on property, or on presumption of property.

In both cases they are either on income or on capital.

Taxes on property in the shape of income are either direct or on consumption, called of late years, from the French, indirect taxes.

Taxes on capital diminish present capital, and thence future and growing wealth, by the whole of their amount: taxes on income, by the amount of the savings that would have been made out of income and added to capital, instead of being spent in maintenance, had it not been for the tax.

The fault of direct taxes on presumption of property is inequality: that of direct taxes on property is vexation: indirect taxes have no fault beyond the mere privation, which must be undergone at any rate: the vexation which in the case of direct taxes on property extends itself to every body, confines itself in the case of indirect taxes to the fabricators and vendors [of the article taxed] who make themselves amends for it in the price.

Indirect taxes have for their limits the faculty of evading the tax by the purchaser of smuggled articles.

Indirect taxation is limited by smuggling: indirect and direct by the patience of the people. The *ne plus ultra* is variable and unascertainable, depending upon the events and temper of the times. Not knowing how soon it may arrive, governments are anxious to pay off debt: because in proportion as debt is paid off, taxes by which the interest is paid may be taken off, and being taken off, may in case of fresh wars be laid on again. A tried tax will always be a more valuable dependance than an untried one.

The limits prescribed to indirect taxation by smuggling are set not by the nature of things, but by the imperfection of the laws. It is [likewise] to this imperfection that men are indebted for the inequality and vexation attendant on direct taxes in comparison of indirect ones.

When a tax is imposed upon any commodity, a proportionable *discouragement*—intended or not intended—is applied to the corresponding branch of profit-seeking industry, and thence a proportionable *encouragement* to the most immediate rival branches. In this way the branch of political economy which belongs to finance is unavoidably, though perhaps often undesignedly, entangled in practice and effect with the other branches.

To an *indirect* tax, each man pays no more than he pleases; and

the vexation attendant on the collection of it is confined to the makers and vendors of the commodity taxed.

To a *direct* tax, each man pays what the imposer of the tax pleases, and the vexation embraces every man who pays [it].*

Indirect taxation, as far as it will go, is therefore preferable to direct; but the length to which it can be made to go depends, in the instance of each nation, upon its degree of relative opulence.

France, England, and Batavia: in the scale of absolute wealth, France is at the top, Batavia at the bottom. In the scale of relative opulence, France is at the bottom, Batavia at the top.†

Comparatively speaking, England till of late, made little use of direct taxes: France little use of any other. Her abstinence from indirect taxes has been chiefly the result of necessity,‡ though in some degree of choice.

A tax on *imports* is borne by our own people: a tax upon *exports* to foreign countries is borne by the inhabitants of foreign countries. Whatever imposition of this kind foreigners can be made to bear, is so much gain to us. If, indeed, when a fresh tax is imposed upon an article of export, the quantity of it produced is considerably diminished by the tax, a temporary distress is thereby produced, the suffering of which may be less or greater than the suffering saved by the saving in the amount of taxes borne by ourselves. But if the quantity produced be merely prevented from encreasing, no such suffering is produced, and the benefit by the saving in home-

*Among a certain set of political philosophers may be observed a horror of indirect taxes, a passion for direct ones: a passionate desire to be coerced and vexed. The word *indirect* seems to have been the source of illusion here, as the word *venality* when applied to judicial offices. A man who buys the office at such a price as to perform the functions of it *gratis*, shews that it is the function that recommends it to him, not the salary. A eulogistic or dyslogistic appellative stands in place of a reason and works more than a reason upon the great body—not only of mankind, but of philosophers and politicians.

†I speak of the recently past: one knows not well what to say of the present.

‡Indirect taxes, being collected from vendors, presuppose exchange: direct taxes may alike be levied, exchange or no exchange: they may be levied on producers, vendors, or no vendors. The further a nation is advanced in the career of opulence, the fewer the articles produced by non-vendors. A main cause as well as effect of opulence, as per Adam Smith, is division of labour: as this advances, fewer and fewer sorts of things are done by the same hand: till at last, some one sort of thing excepted, there is nothing that a man does not find it cheaper to buy than to make at home. This applies more particularly to manufactures: in agriculture the division is stopped by a variety of causes, which for the most part, though not *in toto*, are insuperable.

France used to swarm, and swarms as much as ever, with petty occupiers of land, proprietors or not proprietors, who, producing each of them the greater part of what he consumes, have the less need, and the less ability, to purchase: and who, accordingly, if they were not forced to pay direct taxes, would scarce pay any thing.

paid taxes is pure. The addition which, had it not been for the tax, would have been made to the quantity of the commodity thus taxed, spreads itself among other commodities of all sorts.

The direct effect of the sort of tax called *indirect*, is to make a man pay for the use of the article taxed, and go on using it as before: an indirect effect is—to make him cease to use it, to avoid paying the tax. This indirect effect is the same as that of a prohibitive law, prohibiting the use of the article, viz. under a penalty equal to the amount of the tax. So far as the one effect takes place, the other does not. Commonly they take place together, in proportions infinitely diversifiable.

In the way of prohibition, a tax seldom falls on the article taxed, so exclusively as might be supposed. The prohibition falls—not merely upon the article taxed, but upon whatever article each man can best spare. When a fresh tax is imposed upon wine, a man who, having been used to buy wine and books, is fonder of wine than of books, reduces the quantity, not so much of his wine, as of his books. By a tax upon gin, many a man, instead of being sobered, has been starved.

The *best* sort of indirect tax is that which, by its effect in the character of a prohibition, diminishes the consumption of an article the use of which is pregnant with future misery, the dregs of the cup of present pleasure. Such, above all, are the *pabula* of drunkenness. The fiscal is in this case crowned by a moral use.

The *worst* sort of indirect tax is that which, in the character of a prohibition, lessens the use of an article to which a man's attachment is apt not to be so great as it were to be wished it were, considering what is the produce of it in the shape of permanent good, over and above the evanescent pleasure. The fiscal use is in this case clogged with an antimoral tendency. Books, especially of the instructive kind, may be mentioned as examples. But books of the least instructive kind, music, instruments of pastime of all sorts, not to speak of public entertainments—every thing—morality is served by every thing that calls a man off from drunkenness.

The mischief done in the way of prohibition by that species of direct tax which is imposed upon produce and encreases with the quantity or value of the produce, is frequently but too real, but is apt to be exaggerated. Though my profit would be greater if I had nobody to share it with me, my having somebody to share it with me does not make me deny myself all profit. Few men [are]

so spiteful as to hate others more than they love themselves: especially the government, which is nobody, quarrels with nobody, and protects every body. A man without a partner has the whole profit to himself; yet many men submit to saddle themselves with partners. The government which imposes proportional taxes on produce, is a partner who furnishes¹ protection, though nothing else.

I have elsewhere spoken of the best of all financial resources and the worst.² The *best* (supposing public opinion to admit of it) as well as the most copious, seems to be that which gives to the public a share in property become vacant by death, on failure of near relations. The formation of counter-expectations being prevented by pre-established law, receipts from this source need not be attended with that vexatious sense of privation which is the inseparable accompaniment of a tax.

The *worst* is that tax, call it direct or indirect, which, as often as it acts as a prohibition, deprives a man of *every thing*, by depriving him of justice: the tax I mean upon *law proceedings*, by which the poor, that is the bulk of the community, especially the oppressed and afflicted part of it, are put out of the protection of the law.

Abstractedly considered, the tax upon medicine might be stated as still worse: the prohibition in this case bearing more immediately and exclusively, as well as extensively, upon health and life. But the tax is not apt to be so heavy upon medicine as upon justice. There are, moreover, hospitals and dispensaries for the relief of the poor who want medicine: but there are none for the relief of poor and helpless suitors who want justice.

In the case of indirect taxes, a common notion considers the *ratio* of the tax to the price of the article as limited to a *maximum*, limited, viz., by the effect of smuggling. Encrease the *ratio*, you lose more, it is supposed, by the quantity that escapes the tax, than you gain by the addition to the amount of the tax on the quantity that pays it. This notion, supposing it just, as applied to the aggregate of taxable articles, will be apt to be illusive, as applied to this or that sort of article considered by itself. In respect of difficulty of evasion and facility of collection, the scale of variation is stretched to a great latitude by the bulkiness of the article, by the local circumstances

¹[This is the word used in the copy which Bentham corrected. His manuscript reads "finds".]

²[Cf. *A Protest against Law Taxes*, first published in 1795; and *Supply without Burthen, or Escheat vice Taxation*, of the same year.]

of the place at which the tax is collected, and by a variety of other circumstances. But other causes of variation, and those very powerful ones, are,—the organization of that part of the financial system which concerns the mode of collection; and thence the vigilance or remissness, the sufficiency or insufficiency in number, and the probity or improbity, of the functionaries employed; the good or bad contrivance of the taxation-laws, in respect of the obligations imposed on the contributors for the prevention of evasion; the amplitude or scantiness, the good or bad choice made of the powers given to the collectors for the prevention of evasion; and the apposite or inapposite construction of the system of judicial procedure on this subject, including the rules of evidence.

When money is to be borrowed, borrowing it, in part at least, of foreigners, is attended with two advantages. At the time of *borrowing*, it diminishes the consumption of home capital, the consequent check to production, and the loss, to private borrowers as well as to government, by the sudden rise in the rate of interest: at the time of *paying off*, it diminishes the loss produced to moneyed men at home, by the sudden pouring in of capital into the market (money which must be laid out in the shape of capital) and by the sudden fall in the rate of interest which is the consequence.* By moneyed men, understand here—not the opulent only, but *all*, to the very poorest, whose incomes arise out of the interest of money, and that interest reducible.

Some men grieve on this occasion at the thoughts of the money that goes out of the nation to pay foreigners. A housekeeper might as well grieve at the thoughts of the money that goes out of the house to pay the baker with. If to day the money goes out of the house, it is because t'other day the bread came into it. Do without bread, or bilk the baker, the money will be saved.

The quantity of foreign capital that in an unascertainable, but very considerable, quantity has always been sent by foreigners for the purchase of British government annuities, has been a fruit and evidence of probity and good faith.

*If however the quantity of capital employed by foreigners in the purchase of British government annuities has been such as to produce an influx of the materials of money, and thence of money, to such an amount as to overballance the encrease in the same time in the mass of vendible commodities, and thereby to produce encrease of prices, depreciation of money, and indirect income tax, so much as operates in that character does thereby more harm than good. But without the addition to money by paper money, an addition of this sort would hardly have taken place.

3. [*Of the Sinking Fund.*]

The establishment of an effective and undivertible Sinking Fund has been productive of effects in respect of encrease of wealth, such as (to judge from any indications I have met with) had not presented themselves to those by whom the plan was adopted, or to any of those by whom it had been proposed.

Money borrowed for, and applied to, war expences is so much taken from productive capital and growing wealth: money employed in discharge of such debt ¹(whether by paying it off at par, or by buying it in at an under price)² is so much given to productive capital and encreasing wealth.

If in a season of reimbursement, viz. peace, the space of time employed in the discharge of the debt were no longer than the space [of] time employed in the contracting of it, and the money employed in the reimbursement were no greater than the money borrowed, the quantity added to wealth would be equal to the quantity taken from it, bating only the loss of the interest at compound interest upon the several years' instalments during the expenditure of it: as, if ten millions were borrowed every year for four years of war, and ten millions paid off every year for the four succeeding years, being years of peace, there would be forty millions taken from wealth, forty millions added to wealth: but to put the nation into the same plight in respect of wealth as if there had been no money raised for the war, it would require the interest of the first year's ten millions for the four years, *plus* that of the second for the three years, *plus* that of the third [for the two years, *plus* that of the fourth] for the one year, supposing the whole debt to be paid off at once on the first day of the [first] year of peace; and as by the supposition it would be paid off not so, but by instalments, as above, this would require a further addition on the score of the correspondent retardations.

On this supposition it is evident that the nation could never be put by reimbursement in a plight exactly as good as what it would have been had [there]³ been no borrowing for unproductive purposes.

But, in point of fact, a circumstance attending the borrowing system is, that the money paid and given to productive capital at the period of reimbursement, is upon the whole considerably greater

¹ ²[Brackets of a later date.]

³[The MS reads "their".]

than the money borrowed and spent, and taken from productive capital at the period of expenditure. When money is borrowed in three per Cents at six per Cent, that is when for every £100 borrowed of the individual, government gives him a nominal capital of £200 stock, each £100 carrying an annuity of three per Cent, to discharge this annuity of £6 in the way of paying off (buying in under par being supposed out of the question) £200 must at the time of reimbursement be put into his hands.

In the course of the present¹ wars, greater interest than this has actually been given by the British Government. If then the circumstance of time were laid out of the account, the consequence would be, that in so far as mere wealth were concerned, a nation with a fixed sinking fund might be, and, in a word, that Britain would be, a gainer by war to a very considerable degree: if, for example, in the first year of a war, ten millions were borrowed on these terms, and on the first day of the second year, being a year of peace, the money borrowed were repaid at par, for which, on the above terms, 20 millions would be necessary, the gain to wealth would be 10 millions, *minus* a year's interest upon 10 millions.

The above supposition is given only for illustration: for, as every body knows, neither is money in the first year of a war borrowed on terms of such disadvantage, nor is it so soon repaid.

It may, however, serve to shew this much, viz. that the more disadvantageous the terms are on which money is borrowed, the greater is the restitution made to wealth.

This would not, in my view of the matter, be any recommendation of war, or borrowing for that or other purposes upon disadvantageous terms; because comfort, including security, is the immediate and only direct object in any estimate with me, and wealth only in so far as it contributes to comfort, which, without due provision made for security, it can not do.

But in a view of the matter which to me appears much more common than my own, this consideration should be a very important one: and should go a great way towards reconciling men to wars and bad bargains.

The answer to it is, that if it be wealth, future wealth, you want, and are willing to pay the price for it in [present]² comfort, you

¹[Changed into "late" in the MS, but apparently by Bowring.]

²[The passage originally read "future" but Bentham's obvious mistake was corrected by Bowring in the MS.]

have no reason to seek for it through any such disadvantageous medium as that of war: raise the money, and instead of spending it in war, spend it in any other way, [and] you will have still more wealth.

If this be just, it will enable us the more clearly to appreciate two opinions that have been advanced on the subject of national debts.

One is, that a national debt is, to the whole amount of it, or at any rate to a certain part of it, not a defalcation, but an addition to the mass of wealth.

The other is, that, admitting the debt to be a defalcation from the mass of national wealth, yet the discharge of it would be, not an addition to that mass, but a defalcation from it.

Both these opinions have had their partizans: for in the whole field of national economy, there is not that proposition, how clear so ever, the contrary of which has not had its partizans.

As to the first opinion, one way in which it is maintained is by looking exclusively to one side of the account: by looking at the income coming in to the annuitants, and not looking at the income going out of the hands of those by whose contributions the money for the payment of these annuities is supplied.

Another way is by imagining the existence of a capital equal to the capital borrowed and received by government in exchange for the annuities granted—borrowed, and spent as fast as it is borrowed, not to say faster still. This being a new capital created, goes, according to the reckoning of these politicians, in addition to whatever may have been the amount of the old one.

That notion appears to have had for its ground and efficient cause the language used by the man of finance and the man of law in describing transactions of this nature. Can a thing have been created, and yet never have existed? Fiction is the parent of confusion and error ¹in all its shapes². False conceptions generate false language: false language fixes false conceptions, and render[s] them prolific and immortal. Such as opinions have been, such is language: such as language is, such will opinions be.

Would not the nation be the poorer by the passing a sponge upon the national debt? would not there be so much property destroyed?—Not an atom more than would be produced at the same instant. Less wealthy? no: not at least at the instant of the change.

¹ ²[Put into brackets at a later date.]

Less happy? yes: wretched in the extreme. Soon after, less wealthy? yes: to a frightful degree, by reason of the shock given to security in respect to property, and the confusions that would ensue. Twenty millions a year that used to be received by annuitants, no longer received, twenty millions a year that used to be paid in taxes by all classes and all individuals together for the payment of those annuitants, no longer paid. National wealth would no more be diminished by the sponge than it is when a handkerchief is transferred from the pocket of a passenger to the pocket of a thief. Sum for sum the enjoyment produced by gain is not equal to the suffering produced by loss. In the difference, traced through its consequences, lies the mischief, and the sole mischief, of bankruptcy as of theft.

Annuities paid by government are paid with a degree of regularity (not to speak of certainty) which would in vain be looked for to any extent in annuities paid out of particular funds by individual hands. In the loss of this species and degree of convenience consists the whole loss that would be incurred by the compleat discharge of the national debt. This convenience is certainly worth something in the scale of wealth; but it can scarcely be considered as any real tangible addition to the mass of those tangible things, of the mass of which the matter of wealth is composed. There is also inconvenience attending the payment of taxes (those taxes by the produce of which the matter of these annuities is supplied), an inconvenience superadded to that which consists merely in the privation attendant on the parting with the money paid in taxes.

On this convenience attending the receipt of the annuity is grounded another convenience in respect of the facility attending the purchase and the sale of it: attending the process of converting capital into income, and reconverting income into capital, when capital happens again to be the thing wanted.

As to the other opinion—the ground of it is, that if the money taken in taxes, to be applied in discharge of the debt, had not been so taken, but had been left in the pockets of those to whom it belonged, it would have been spent by them, each in his own way, and by that expenditure an addition would have been made to the mass of national wealth. But supposing it taken from them to be applied in discharge of debt, whatever is so applied is given to [the expelled annuitants]¹ and received by them and employed by them,

¹[The MS in fact reads “them”.]

the whole of it, in the shape of capital; whereas, had it been left with the parties by whom it is paid in taxes, it would have been employed, more or less of it, as income is employed, when it is said to be *spent* ¹without return or hope of return². What the proportion may amount to between the part spent as income and the part employed as capital, and thereby employed in making a growing addition to the mass of national wealth, will be considered presently. For the present it is something, not to say sufficient, that in one case it is only a part that is employed in making an addition to the mass of wealth, and in the other case the whole.

The support given to this opinion is given in two ways. One is by thinking nothing of what becomes of the money taken in taxes and made over to the annuitants in discharge *pro tanto* of the national debt, but considering it as annihilated or thrown away.

The other is by considering the labour paid for by the money when spent by the proprietor, instead of being taken from him in taxes, as being employed, all of it, in the shape of pecuniary capital, in making a correspondent addition to real capital, just as would have really been the case with the labour paid for by that money, had it been made over to annuitants in discharge of so much of the debt.

That a part of it would really have been so employed does not admit of doubt: the error consists in considering what is true only of this part, as if it were true of the whole. Let us observe the difference between this part and the whole.

Admitting an encrease of wealth, and that a gradual and regular one, the productive capital of the country, taken together with the growing mass of consumed and reproduced wealth continually produced by it, must be considered as encreasing at compound interest. The rate of interest can scarcely be taken as so high as 2 per Cent: for at two per Cent compound upon the capital, whatever it may amount to in any year, the quantity of it would be rather more than doubled in $35\frac{1}{2}$ years.* The most sanguine estimator will not, I imagine, regard the encrease of national wealth to have been, even for the last 35 years, encreasing at any near so rapid a rate. If the quantity and value of productive capital has gone

¹ ²[Put into brackets at a later date.]

*Smart's [*Tables of Interest, Discount,*] *Annuities* [&c], Table 1, p. 54. [Bentham is most likely to have used Brand's edition of 1780; the page should then be quoted correctly as 58.]

on encreasing at this rate, the quantity of growing income must have gone on encreasing at the same rate; since it is only from the income of that or the preceding year, that the addition made to the capital of any year can be made. If the quantity of growing income has gone on encreasing at this rate, the mass of population must have gone on encreasing at the same rate, save and except in so far as an encrease has taken place in the degree of relative opulence, i.e. so far as an average individual of the posterior period has been richer than an average individual at an anterior period: so far as wealth has gone on encreasing faster than population. That wealth has gone on encreasing faster than population, is what I should expect to find to be the case: but that the encrease should be any thing like double, or half as much again, seems too much to believe. The half, or thereabout, of the aggregate wealth will be that which is shared among individuals of the poorest class: and in the case of that class, the wealth of an average individual appears within the period in question to have rather diminished than encreased.

I take therefore two per Cent for the rate of accumulation—not as the true rate, but for a rate which, though considerably too high, [is] near enough to the true rate to answer the purpose of illustration. Taking, then, 20 per Cent, as the gross ratio of the real income produced by that real capital, to the real capital by the employment of which it is produced,—this two per Cent would constitute one tenth part of the gross income: and the part out of income added to capital every year, is one tenth part of the whole mass of which the other nine parts are partly consumed for maintenance, partly employed in keeping up the real capital in *statu quo*: that is, in a condition to give birth to the same quantity of real income in each subsequent as in each preceding year.

The whole income then of an average individual may for this purpose be considered as divided into ten parts: of which nine parts go for present maintenance, added to the expence of providing for reproduction without decrease or encrease, and the other tenth to positive encrease.

This being the case with the whole income of the average individual, the same division in idea may be made of any part of that income; and, for instance, of that part which he is made to pay in taxes: if he had had none of it to pay in taxes, one tenth is the part which would have been employed by him in making

a neat addition to the capital and thence to the growing wealth of the country, as above.

On this supposition, the addition made to wealth by a million taken from national income by taxes and employed in the discharge of the national debt, is to the addition that would be made to it by the same million if left in the pockets of those to whom it comes in the shape of income, and left to be employed by them, by each in his own way, as ten to one. I say for illustration as ten to one: but twenty to one is the proportion I should expect to find come nearest to the truth.

[APPENDIX:] NOSCENDA

Noscenda, i.e. statisticks, [are records of facts*] including *data* and *danda*: between which the field of *noscenda* is divided, in portions which, of course, would be found different, as yet, in each community, and each portion of time.

Collection and publication of statistical facts being attended with expence, no institution should be set on foot for the furnishing of any such articles, without a previous indication of the benefit derivable from such knowledge, and a conviction that it will pay for the expence. But the expence necessary for one 'purpose' may be sufficient for many.

[On the other hand,] statistical matter being food for curiosity, many derive amusement from the perusal of it, some consequently a profit from the furnishing of it. On this account, so far as depends upon *inclination*, the operation of furnishing it belongs constantly, and, so far as depends upon *knowledge* and *power*, occasionally, to the head of *sponte acta*: *agendum* thereupon on the part of government, the completion of the requisite stock of knowledge and power, by furnishing the *data* to individuals; or even collecting them itself, whensoever that operation can be performed without preponderant vexation and expence. In every walk of life, public and private, public more especially, publicity—publicity!—is the best guardian of virtue.

Examples of *registranda*:

I. Forensic steps, documents and costs: steps taken, documents exhibited, in each cause, with the expences respectively attendant upon each.

Uses to the administrator, the judge: 1. Shewing the ground afforded for each successive step and document by the several preceding ones. 2. Costs to be stated, that in each instance, so far as justice requires, and ability extends, the burthen may be thrown upon the party in the wrong.

Uses to the legislator: 1. By the operation of publicity, check upon injustice, as well collateral as direct, on the part of the judge. 2. In the way of instruction, view of the price paid for justice (direct justice), in the shape of collateral, and in some degree

* *Individual* facts. By *precognita*, and *precognoscenda*, are meant general facts and principles.

¹ [Later addition.]

unavoidable, injustice, viz. in the triple shape of vexation, pecuniary expence, and delay:—paid, in each cause individually, and thence in each class of causes collectively, the causes being for this purpose divided into classes. 3. Ultimate use to the legislator and the public, reducing continually, and finally keeping, to its minimum, by successive improvements, the quantity of injustice in both shapes, collateral as well as direct.*

The expence of *registration* will be amply paid for by the first of the uses to the legislator, added to [the] two uses to the judge.

The expence of *publication* might be much reduced, as well as the utility in the way of instruction encreased, by throwing the matter into a *tabular form*, abridged in bulk and digested under heads.

II. Deaths, births and marriages.

Use to the judge: Use of these several documents in the character of evidences constituting the basis of the most important, because most extensive, class of rights and obligations: rights of property derived from succession: rights and obligations of various sorts, derived from condition in life.

Use to the legislator: Indications of the state of population [whether] encreasing, stationary, or declining:—thence, in case of check or decline, general or local, indication of the extent, the causes and the remedies. Indications of the amount of profit and loss by war. Loss, real in every war: neat profit, seldom more than ideal (wealth taken into the account) from the most successful war.

In every line of management, private or public, a necessary guardian to good economy is good book-keeping.

Mode of publication abridged, digested, and tabular, as above.

To the ecclesiastical function, wherever *established*, the business of registering and transmitting *noscenda* of this class (not to speak of others) seems a natural appendage. How can the shepherd feed his flock, if he does not know them?—how know them, if he cannot number them?

III. Contracts of all sorts, viz. such as by their importance are worth registering. Mode or amplitude of registration, in some cases transcription; in others, abbreviation; in others, simple mention of existence.

*In this line, an interesting example has been lately set by the Danish Government, on the occasion of the tribunals lately instituted under some such name as that of *Reconciliation Offices*. I speak of the design: of the execution, materials for judging have not reached me.

Use to the administrator, the judge: Uses of these documents in the character of evidences, as above.

Uses to another sort of administrator—the collector of the revenue—in the case where documents of this sort have been taken for the subject of taxation: 1. Check to fraud on the part of the intended *contributors*. 2. Check to pecculation and negligence on the part of the *sub-collectors*.

Uses to individuals at large: 1. Prevention of fraud by forgery, whether in the way of fabrication or alteration. 2. In the case of contracts of conveyance, viz. of specific articles of immoveable property *inter vivos*, prevention of fraud, viz. of fraud commissible by the repeated sale of the same article to different purchasers.

Uses to the legislator: Various, according to the nature of the contract. Examples: 1. For the purpose of finance, see uses to the collector of the revenue, as above. 2. In the case of contracts circulating as money, and constituting a species of paper money, view of the quantity of it, in comparison of the quantity of metallic money, thence of its influence on the aggregate prices of goods, and on public, or say rather general, credit, i.e. view of the actual depreciation of money, [and]¹ the danger of general bankruptcy. 3. View of the state of the nation in respect of improvement—progressive, stationary, or declining—in the several lines of action which constitute the subject of the several classes of contracts, and the number of contracts of each sort, entered into within a given period of time, compared with the several preceding periods of the same length.

Mode of publication, abridged, digested, and tabular, as above. In the case of such contracts as are considered as proper to be kept *secret*, the publication may extend to all points but the particular ones in respect of which the secrecy is required: and aggregate quantities may be given at any rate.

¹[The word is difficult to read; it looks almost like “used”.]

OBSERVATIONS
ON THE RESTRICTIVE AND PROHIBITORY
COMMERCIAL SYSTEM

OBSERVATIONS
ON THE
RESTRICTIVE AND PROHIBITORY
COMMERCIAL SYSTEM;
ESPECIALLY WITH A REFERENCE TO THE DECREE OF
THE SPANISH CORTES OF JULY 1820

“Leave us alone”

FROM THE MSS. OF
JEREMY BENTHAM, Esq.

By JOHN BOWRING

1821

§ 1. *Nature of the prohibitory System.*

JUST as the period was expiring beyond which, according to the Spanish constitution, the Cortes had no power to continue their sittings; at a moment when affairs the most urgent and interests the most important, necessarily distracted and divided their attention; the outline of a law was precipitated through its several stages, prohibiting manufactured woollens, cottons, linens, and silks, and attaching heavy duties to the introduction of many other manufactured articles.* So hurried was this measure, that its details were obliged to be referred to the finance minister; and so unexpected, that all the correspondence which communicated to this country the first news of the decree, breathed nothing but surprise or disappointment, regret or anger; yet there can be no doubt the real, as the averred object was, to give encouragement and increase to the manufacturing branch of national industry, by compelling the employment of home productions, in lieu of those which Spain had been accustomed to receive from other manufacturing countries. It was certainly not *intended* to do mischief to those countries, either by interfering with their trade, by lessening their wealth, or by exciting their feelings of hostility. It was, indeed, neither more nor less than an application of the system of factitious encouragement of the domestic production in the indirect mode; that is, by discouragement applied to the same articles when produced by foreign countries.

The expediency of such a measure may be conveniently considered in two points of view; the general, in its application to all countries; the particular, as especially affecting Spain.

It may be laid down as a universal maxim, that the system of commercial restriction is always either useless or mischievous; or rather mischievous in every case, in a less degree, or in a greater degree. In the judgement of the purchaser, or the consumer, the goods discouraged must be either better than those which are

*This injudicious and baneful decree is singularly illustrative of the extreme absurdity of that part of the constitution which only allows the Cortes to sit for three, or at most four months of the year. Whether they have little or much to do, they are compelled to employ the same time about it. They are to be treated, as an able Portuguese Journalist observes, like babies, who must be put to bed at a fixed hour whether they are sleepy or not.

The writer takes it for granted that the decree exists, though neither he, nor any individual he has seen, is able to speak to the fact of its publication.

protected, or not: if not better, (of course better for a fixed equivalent,) they will not be bought even though no prohibition exist: here then is uselessness, or mischief in the lesser degree. But the case, and the only probable case, in which the fictitious encouragement will be applied, is that where the goods excluded are better, or in other words cheaper, than those sought to be protected: here is unqualified mischief, mischief in the greater degree.

It may be desirable here to explain that the word *better*, when used, means better at the same price, *i.e.* cheaper. Price is, in truth, a more convenient standard, because an unfluctuating and determinate standard; quality not. Better, means, then, that in the opinions of the purchasers or the consumers, the article is more advantageous, or more agreeable, and it is better, in the proportion in which it is more advantageous or agreeable.

This premised, we proceed more satisfactorily to consider the results of a prohibitory law of this sort in all the points of view of which it is susceptible.

When, in the view of favouring home commodities, a prohibition inhibiting the introduction of foreign rival commodities is obtained, that prohibition is either obeyed or disobeyed; obeyed, if the home article be purchased instead of the foreign one, or if neither the one nor the other be purchased: disobeyed, if, instead of the home article, the foreign one be purchased. In the case of such prohibition, obedience takes place in some instances, disobedience in other instances.

Case I. The prohibition obeyed, and the purpose answered, by the purchase and use of the home article instead of the rival foreign article. The price paid for the home article is greater than would have been paid for the rival foreign article, had the prohibition not existed; if not, the prohibition would be without an object. What then is the result to the consumer? The difference between the one price and the other, the injury or loss which he sustains, is equivalent to the imposition of a tax of the same amount.

But the pocket into which the produce of this sort of tax goes, whose is it? that of the public? No! but that of the individual producer of the article thus taxed. To the people at large, without diminishing the amount of other taxes, the effect is no other, the benefit no greater, than that of a tax to the same amount would be, if, instead of being conveyed into the national treasury, it were pocketed by the individual collectors.

If, instead of the prohibition in question, a tax to the same amount had been imposed on the rival foreign article, the produce, instead of being thus given to the collectors, would have been conveyed into the public purse, and by the whole amount have operated as a saving to the people, in diminution of the contribution that would otherwise have been exacted through other channels. Not to the whole amount, it may be said; for in case of the tax, the expense of collection would have been to be deducted. Yes, to the whole amount; for the expense of enforcing the prohibition would assuredly be as much as, probably more than, the expense of collecting the tax.

Case II. The prohibition obeyed; the rival foreign article not purchased, but the home article not purchased. Here, though the law is obeyed, the purpose of it is not answered.

This will be the effect insomuch as the advance of price caused by the prohibition deprives the consumer of the power of purchasing it: the home article too bad in quality; the foreign too dear, from the excess of price produced by the risk of evading the prohibition. The home article is then neglected, in consequence of the disgust produced by its comparative bad quality, the foreign is not purchased on account of its dearness; which dearness is the result of the prohibiting law.

In this case, though no loss in a *pecuniary* form is produced to those who antecedently to the prohibition were accustomed to purchase and to enjoy the article in question,—though no loss in a tangible and measurable form is suffered,—yet in the form of comfort, in the form of that wonted enjoyment on which the article depends for the whole of its value, the loss is not less real, and the loss is incalculable.

True it is that whatsoever the consumers in question would have expended but for the prohibition, on the articles in question, is left in their hands unexpended, to be employed in other articles; and therefore the loss is not total. True; but there is a loss: a loss is implied in their being compelled to purchase articles which they would not otherwise have chosen. The amount of loss is not within the reach of calculation; but where it is possible to erect a comparative standard of price or quality between the goods which would be purchased but for the prohibition, and those which are purchased on account of the prohibition, the loss presents itself in a tangible and measurable shape.

Case III. The prohibition disobeyed: the purpose not answered; the home article not purchased for consumption; the rival and foreign article purchased and consumed, notwithstanding the prohibition. Then not only is the law disobeyed, but its purpose is more manifestly frustrated than in either of the foregoing cases.

Under our present supposition, the price of the foreign article to the purchaser and consumer cannot but be raised above the current price it held before the prohibition; for the prohibition cannot be evaded without extra labour employed, and risk incurred, by those engaged in the conveyance of it from the hands by which it is exported from the foreign country to the hands of the consumer;—and fraudulent labour is of all labour the most costly. Here too, in respect of the loss and burthen to the consuming purchaser, the difference between the price of the foreign article when allowed, and the foreign article when prohibited, has by the whole amount of it the effect—the bad effect—of a tax: and by every increase given to the severity, or in any other way to the efficiency of the law, a correspondent increase is given to the amount and burthensomeness of this unproductive substitute to a government tax.

And into whose pockets is the produce of this worse than useless, this baneful substitute to a tax, conveyed? Into the pockets of the public?—No! Into the pockets of the home-producers, whom, at the expense of all their fellow-countrymen, its endeavours are thus employed to serve?—No! But into the pockets of those whose labours are employed, whose lives and liberty hazarded, in effectually causing the prohibitory law to be disobeyed, and the design of it frustrated.

The persons for whom this favour is intended, what title have they, what title can they ever have, to such a preference; to a benefit to which a correspondent injury, not to say injustice, to others,—an injury, an injustice to such an extent,—is unavoidably linked?

And in point of numbers, what are the favoured when compared with the disfavoured?—Answer, The few; the few always served, or meant to be served, at the expense of the many.

This one observation attaches inevitable and unanswerable condemnation to the measure, unless it can be shown that the sum of profit to the few is more than equivalent to the sum of loss to the many.

But in favour of such a supposition no reason whatever presents itself. If any one believes he can discover such a reason, if any one imagines it falls within the possibilities of the case, to him it belongs to produce it.

The loss sustained by those on whom the burthen of the measure most immediately presses, who are as it were in actual contact with the measure, is not the only loss. Antecedently to the prohibition the articles now prohibited were furnished by foreign producers, to whom home articles to an amount regarded as a fair equivalent were supplied in return, and were in fact the means of purchasing. Deprived now of the means of paying for the goods of the country which issues the prohibition, the foreign producer is driven from the market. And here, on the very face of the transaction, is another set of men on whom a burthen is imposed, or, which is the same thing, to whom a profit is denied, equivalent at least to the expected benefit, supposing it received, and at whatever calculation it may be taken.

Here then, in addition to the injury done to the universal interest, is an injury done to a particular interest, equal to the benefit contemplated to the other particular interest for whom the prohibition was made.

Not so, it may be objected; not so: for what they before purchased with the prohibited goods, they will continue to purchase with other not-prohibited goods, or with money, which is still better.

Vain, however, is this objection. In money perhaps they would have paid for these our goods, rather than have gone for the like to some other country; in money they would have paid for them, could they have got it. But they could not have got it, except by selling their goods. If they have sold their goods and realized their profit, why should they bring the money they have produced to you?

But they will pay in other goods. If we want those goods, and can pay for them, and will allow them to be brought to us, we shall have them in any case, whether the others be prohibited or not: so that the question remains as it was before.

This is the point at which any person who, being determined to justify the prohibitory system at all events, though at the same time conscious of its unjustifiability, would be apt to attempt a diversion by leading the debate into the subject of the balance of trade. But, without going into the details of that controversy, a demonstration

of the reality of the loss, founded on universal experience, may satisfy even the *mala fide* adversary.

After having been accustomed to sell the whole or a part of his produce to this or that particular customer, no man who knows that that customer is prevented from sending the only goods he was used to send in return, would not understand himself, feel himself, to have sustained a loss. A loss he would necessarily sustain, and by the whole value of the goods, supposing him not to find another customer; and if a less advantageous customer than before, the loss, though less in amount, not less real in fact: and if in the case in question it be alleged, that in the room of every person so prevented by the prohibition from giving for the goods the usual equivalent, another customer comes of course,—he who makes the allegation that such a second customer comes of course, is bound to produce him—to provide him—for his argument, at least.

The general result would be more clearly perceived from an individual case in point:—Spain sells to England wine, wool, oil, fruits, &c.; she takes in return a great variety of manufactured and other articles. On a sudden a prohibitory decree is passed; Spain is no longer allowed to buy the foreign manufactured articles. Of the surplus of Spanish produce not sold and consumed at home, a great proportion was bought for England in return for the English articles sent to Spain. Where are the Spaniards now to find customers for that produce? Not from England; for they have deprived England of the means of buying: not from other countries; at least from those to whom the same prohibitions apply.

Add to these necessary ill consequences the probable ill consequences produced by counter restrictions and prohibitions against *your* goods, in countries the introduction of whose goods you restrict or prohibit, and the quantum of loss or suffering will be greatly increased.

Thus then must the question be finally put:—The burthen to those who are injured, what is its amount? The benefit to those who are meant to be favoured, what is its amount?

Persons—human feelings—pounds, shillings, and pence in English, in Spanish reals of Vellon—to all these subjects must the arithmetical calculation be applied, before we can come to any just and well-grounded conclusions; and when there are two parties to the question,—two contending parties,—the arithmetical operation must be applied with equal correctness to both sides of the account;

otherwise it will be no more an honest account, than if in a statement of account between A and B all the items on one side were omitted.

Yet in the account kept of the pretended or supposed encouragements in question, the unreciprocal operation is the sort of operation that is performed—that has been commonly performed.

§ 2. *Mischiefs of the prohibitory System.*

The prohibitory measure is introduced then into the country in question in order to compel the sale within itself of its own productions, in opposition to foreign productions, under the notion of their being rival productions. Reader, whoever you may be, to avoid difficulties in the expression, we will call that country *your country*.

Mischief 1st. Dearer commodities are forced upon your countrymen instead of cheaper; and all are sufferers by whom the cheaper article was, anterior to the prohibition, bought or consumed: in many cases, the whole population of the country; excepting such as were disabled by poverty from becoming purchasers. The gross sum of injury will be the difference of price between the home-produced and the foreign-prohibited article, calculated on the whole amount of consumption.

The loss in Spain immeasurably great; probably not less than a fourth on all the manufactures consumed. Amount of imports of manufactured articles is about £500,000 yearly, from England only. (See Table A.)

Mischief 2d. Mischief by commodities of inferior quality being forcibly substituted to commodities of superior quality. Sufferers, as before, all those who antecedently to the prohibition employed or consumed the good article, and who now are compelled to employ the bad one, or who employ none. Amount of loss unsusceptible of calculation,—incalculable.

In Spain, as before, peculiarly great. With the exception of a few silk manufactures, and some of fine woollens, which have lately been brought to a state of great excellence without the prohibitory system, and which for their continued improvement and ultimate perfection require no prohibitory system to protect them,—with the exception of a few manufactured articles of silk and wool,—the manufactures of Spain are in a state of wretched imperfection. Many excluded fabrics cannot be produced there. Bombazines, for instance; an article of very general consumption,—an article so

peculiar and beautiful in its perfect form, that it has not yet been manufactured even in France, where the silk-fabrics are in such an advanced state. So again, the articles produced by the coarse long wool of this country; this wool being peculiar to England.—Inferiority applies necessarily more or less to all home-encouraged articles compared with foreign prohibited articles. Manufactures become cheap and good in proportion to the advantages possessed in their creation; and the state of the mechanical arts in Spain being exceedingly backward, the production of articles moderate in price and excellent in quality cannot be contemplated. Another contingent mischief then follows the prohibition,—an evil even to the few producers. The strongest motives to emulation being removed, the home-goods will not be improved as they would be when impelled by the rivalry of the superior foreign-goods. Permanent inferiority is therefore likely to be entailed on a nation by the prohibitory system, and misdirection of capital from objects leaving certain and larger profit to objects promising only uncertain and lesser profit.

Mischief 3d. Mischief by the cessation or diminution of the demand for the home-produced commodities; such as before the prohibition were taken by the foreigners in exchange for the commodities now prohibited. Sufferers, those who antecedently to the prohibition were engaged in the production of the commodities so taken in exchange. Amount of this suffering uncertain. It will have place in so far as the prohibition takes effect: so also when it is evaded; for it cannot be evaded without a rise of price proportioned to the risk regarded as attached to the endeavour to evade. Suppose then the price to the customer in your country doubled, the quantity of commodities that can be employed in the purchase of your home-produced commodities is reduced one-half.

In Spain again this third mischief singularly great. Of some of her exporting-produce, the greater part is bought for foreign markets, by foreigners. Distress produced by the prohibition proportionably great. In 1819 an instance in point occurred, when in the interior provinces (particularly La Mancha and Castille) great distress was occasioned among the agricultural producers by the excess of produce remaining unsold on their hands;—in some districts the harvest was left to perish on the ground. But this was under the reign of the restrictive system only: how much would the evil have been augmented under the prohibitory system? It appears by

Table C that the amount of produce yearly imported into England from Spain varies between [£]1,500,000 and £2,000,000 sterling.

Mischief the 4th. Mischief by the loss of the tax, which antecedently to the prohibition was paid by the commodities now prohibited; *i.e.* of the correspondent supply received from that source by the government for the use of the people. Sufferers, all payers of taxes; *i.e.* all the population. Amount of the suffering, the annual amount of the supply received from this source.

In Spain, again, the mischief eminently great; the duties on imported goods being one of the most important sources—nearly a fourth of the whole revenue. The net amount of custom-house revenue from June 1820 to June 1821 is calculated 80,000,000 reals de Vellon. The expense of collecting the custom-house revenue is nearly 25 per cent.; its gross amount is about 100,000,000 reals, or one million sterling.*

Mischief 5th. Increase given to the number of smugglers, who [flourish] in consequence of the prohibition and the increase of price which the persons habituated to consume or otherwise use the now prohibited commodities will determine to give rather than forego the use of them.

This mischief is of a very complicated nature, and branches out into a variety of evil consequences pernicious to the moral feeling, —pernicious to pecuniary interests.

Of the government functionaries whose labour previously to the prohibition was employed in the collection of the tax paid on the introduction of the commodities in question, the labour will now be employed in securing the exclusion of them from the hands of the intruded purchasers; or in depriving such purchasers of them, should they have reached their hands.

Suppose them to be thus seized, what is to become of them? Are they to be destroyed? Here is dead and absolute loss to every body. Are they to be sold for government account? The benefit intended for the home producers of the rival commodity is prevented

*The Ways and Means for 1820–21 were thus calculated:

Net Custom-house revenue	Reals 80,000,000
Do. other revenue	341,500,000
	<hr/>
	421,500,000
Expenses of collecting	109,000,000
	<hr/>
Gross revenue	530,500,000

from coming into their hands. If sold with permission to be employed at home (as has been usually the case in Spain), then is suffering created to the amount of their value to the holder, and not an atom of benefit obtained for the home producer. If sold with an obligation to export (as is the practice in England), the loss is diminished, but not less certain; loss of the extra value given by the labour of smuggling; loss consequent on non-adaptation to other markets, and other contingent loss unsusceptible of calculation. At all events, all loss attaches to your own people. The commodities having passed from the hands of the foreigner whose profits have been secured, into yours, with you the risk of the adventure now lies.

Of a part of the people whose labour antecedently to the prohibition may have been, and, until reason appear to the contrary, ought to be presumed to have been employed in some profit-seeking and productive operation, that labour is now, under the temptation afforded by the expected increase of price obtainable for the prohibited commodities, employed in the endeavour to introduce them and convey them to the hands of the venders in spite of the counter-exertions of the functionaries of government; there too is the additional loss of the amount of that labour.

We have thus, under the prohibitory decree, two contending bodies, not to say armies, engaged in constant conflict; the custom-house officers, having for the object of their exertions to give effect to the decree and to prevent the introduction of the prohibited articles; and the smugglers, having for their object to evade the decree by promoting and effecting the introduction of those articles. The government functionaries are paid voluntarily by the government rulers out of the contributions paid involuntarily by the people: the smugglers are paid voluntarily by the people.

In the course of this conflict lives will be lost, and other bodily harm will be sustained on both sides. Destruction of property will also have place; particularly of such articles as are the subject of the contest thus set on foot.

Nor can the calculations under this head of mischief be closed without reverting to another mischief procured by the giving execution, the enforcing submission to the prohibition-ordinance, as against those by whom that ordinance is disregarded: *i.e.* by the execution of the law against or upon such delinquents.

Under this head must be considered two perfectly distinguishable masses of evil:—1. The evil of *expense* attached to the officer created

and paid, and to the other arrangements of all sorts having for their objects the punishment of offenders, the prevention of the offence.

2. Evil of punishment composed of the suffering of those on whom,¹ whether justly or unjustly, under the supposition of delinquency on their parts, the punishment is caused to be inflicted.

And when (it is a supposition due to all who have in any instance benefited by the lessons of experience, and from whom we have reason to hope that there will be no obstinate persisting in a system fraught with evil,) when erroneous views shall be succeeded by correct ones, and these prohibitory decrees be repealed accordingly; these smugglers, what becomes of them? A return to honest labour is neither so agreeable nor so easy as, but for the improvident law, continuance in it² would have been. Some by choice, some by necessity, the smugglers are transformed into free-booters. Corruption is thus spread over the morals of the people, and those who should have been the guardians are the corruptors.

Universally applicable as are the objections ranged under this head, to Spain they apply with a cogency little imagined by those who are unacquainted with the localities of the peninsula, and the long established habits of its people. The immense extent of coast, the badness of the cross roads, the mountainous character of the country, are likely to be permanent auxiliaries to those immense bodies of organized smugglers, who from time immemorial have carried on a large proportion of the commerce of Spain. The adventurous and danger-defying character of the Spanish mountaineer, seems to have peculiarly fitted him for enterprises of this sort. Little reproach attaches to the profession of the smuggler; and the frequent representation of his bold feats on the stage, is witnessed generally with great interest, often with admiration, sometimes with envy. The popular song

Yo soy un contrabandista,

which recounts some of his deeds of heroism, has been long a favourite at the court of Madrid, and especially a favourite of the monarch himself.

The impracticability of carrying the prohibitory decrees of Spain into effect, is already pretty generally recognised there. As if nature had provided for its certain evasion, Gibraltar becomes the great *dépôt* for the south, Lisbon and Oporto for the west; and the

¹[The printed text reads "in whom".]

²[The printed text reads "it in".]

hundred passages of the Pyrenees will supply the northern and eastern provinces. Every merchant knows that at the principal commercial ports of Spain, a great part of the duties has been habitually evaded, and large portions of goods constantly introduced without the payment of any duty at all. Except on articles of considerable bulk, of peculiarly difficult transport, or of trifling value, the advance of price in consequence of the prohibition has been scarcely perceptible in any of the principal markets of Spain; and the idea is treated with ridicule, that, in case the system of prohibition should be persisted in, the enforcement of it to any considerable extent can be practicable. The amount of restrictive duties, in some cases not very high ones, was always deemed more than a sufficient price for the labour and risk of the smuggler: the harvest will now be extended, and the labourers will be abundant,—the profits greater. The disbanded Guerillas will furnish recruits enough for the army of smugglers; recruits, too, who will require but little training. Even in the province (Catalonia) which it is intended particularly to favour by the interdicting system, there is scarcely a village without its *contrabandista*; scarcely a creek which does not daily witness the exploits of its smuggling adventurers; scarcely an animal which has not borne the unlawful merchandize, and scarcely an individual who does not wear part of it.

The frequent and bloody frays between the armed custom-house officers or the military, and the armed and desperate bodies of smugglers, in Spain, are notorious to every individual who has had the desire and the opportunity to obtain information on the subject. Every year numerous lives are lost; and the sympathy of the public is, where it ought not to be,—with the criminals, and not with the agents of public justice.

As to loss of liberty and comfort, the prisons under the old regime were always full even to overflowing. Of the poor mendicant abandoned children who solicited charity in the streets, the short tale of nine-tenths of them was, "I have no father". "What! Is your father dead?" "No! in prison; in prison for life!" "And why?" "*Por el tabaco*"—"For smuggling tobacco"—was the constant answer.

Mischief 6th. National discord: discord between the provinces for which the benefit is designed on the one part; and on the other, the provinces by which, while the burthen is sustained in its full weight, no share in the benefit will be received or can be looked for. Sufferers, the whole people, on the one part and on the other.

This mischief, too, bears most heavily on Spain. In the provinces of no country is the rivalry so strong,—it might even be said, the enmity so active,—as among the Spanish provinces. Different languages, different habits, different forms of local government, different provincial privileges; here total exemption from taxation, there excessive burthen of taxation; in some feudality, in others the proudest and most universal individual independence: every thing, in fact, seemed to demand from the Spanish legislator plans for general conciliation,—especially where the Constitution professed to level all the inhabitants of all the provinces to universal equality. But these prohibitions are introduced, it is avowed, solely or mainly for the benefit of Catalonia; a small part of Valencia may be perhaps included. The whole population of the former is 850,000; of the latter, 800,000; that of Spain, 10,500,000. But of the population of the two provinces referred to, a very small proportion is engaged in manufactures: the number engaged in the fabrication of piece goods, which the prohibition is principally meant to encourage, is probably not greater than a hundredth part of the whole population of the peninsula. And even though it be shown, but this cannot be shown, that the interest of every *labouring* manufacturer is encouraged or advanced by the prohibitory laws, we have a fearful account against the legislator;—for every individual's interest protected, the interests of more than a hundred are sacrificed. And this is a government professing to have for its object “to preserve and protect by wise and just laws, civil liberty, property, and *all* other legitimate rights, of *all* the individuals who compose it”.*

Mischief 7th. Ill-will produced and directed towards you by foreign rulers and people, from the suffering or loss produced by the prohibition of their commodities, and the consequent deprivation of the sale for them.

The danger may not perhaps be great, that, by a measure which does not appear to have had for its cause any hostile affection, nor any thing but a mistaken calculation of self-regarding interest, any affection decidedly unfriendly—any positive act of hostility—should be necessarily produced. Mischiefs short of positive hostility may still, with but too much probability, in every case be apprehended, from wounds inflicted in the course of the contest between self-regard on the one side, and self-regard on the other; wounds inflicted by the hands of mere self-regard though unattended with ill-will,

*Cap. I. art. 4. of the Spanish Constitution.

especially where no reasonable cause for ill-will can be found. But if ill-will be kept off from a sense that no injury was intended, contempt will probably occupy its place in proportion as the impolicy of the system is manifest.

In most cases, however, the prohibitory system produces a retaliatory operation; and the power of retaliation possessed against Spain is unfortunately very great. What if other countries, whose wares are excluded from Spain, load with excessive taxation, or exclude by total prohibition, the surplus of her produce, for which she has no consumption at home? for this plan of retorting injury has been too long current. To Spain it would be a great calamity, whatever the result of the struggle might be, if the question of commercial policy should resolve itself into the question of politically weaker or stronger.

Mischief 8th. Ill-will on the part of your own people exerted towards the ruling and influential few, by whom the burthens thus imposed have had their existence. Antecedently to the prohibition, in whom, as to the matter in question, did your people in general behold their friends? In the people of that nation, in those people—foreigners as they were and are—by whom, though not without reciprocal and equivalent benefits, such additions were made to their comfort? if not in point of affection their friends, at the least and at the worst their actual benefactors; whether in intention or not, at any rate in effect.

Subsequently to the prohibitory system, in whom, in consequence of it, will they behold though not their intended, yet not the less their real adversaries—the authors of their sufferings—of all the sources of suffering above enumerated? In whom but in their rulers? these—for so it is hoped it may by this time be allowable to call them—these their misguided rulers?

At the same time, still looking at home, in whom will the people behold, in addition to their foreign friends as above, a set of domestic ones? Even in the smugglers; in those men by whose industry and intrepidity they will have been preserved, in so far as they will have been preserved, in the enjoyment of those comforts of which, had the endeavours of their rulers been effectual, they would have been deprived.

Thus, while on the one side they will be beholding in the character of adversaries and injurers a comparatively small portion of their fellow-subjects in confederacy with their rulers, on the other side

they will see in the character of friends a nation of foreigners and a body of malefactors: friends linked to them by community of interest; friends, in whose good offices they behold their only resource against the ill offices done to them by those who should have been their friends.

Upon Spain the eyes of the world have been fixed full of hope; already they begin to turn away, full of disappointment. Not new authorities for error, not fresh instances of the reckless abandonment of the interests of the greater number to the usurpations of the lesser number, did we anticipate from that land of promise. Alas! we have been deceived.

A circumstance from which the evil connected with the encouragement of smugglers is liable to receive peculiar aggravation, is the state of the system of judicial procedures. Decision being always tardy and often unobtainable, and, from the want of publicity on the part of the evidence, the grounds of it never known, and therefore never satisfactory, the connexion between delinquency and punishment is wholly broken. For the benefit of the lawyers, official and professional together, persons suspected of being malefactors—justly and unjustly suspected—are apprehended and mingled together in jail: jails are filled with them; when they can hold no more, they are emptied of necessity. In this state of things, what is done is done not by the hand of justice outstretched from her elevated station to give execution to the law upon offenders; not so much in the way of judicial procedure, by the exercise of authority by superiors over inferiors,—but in the way of warfare between contending armies; one army composed of revenue officers and their privates,—the other composed of smugglers and their auxiliaries. If in the course of a battle smugglers are taken prisoners, it is only as prisoners that they suffer,—a sort of prisoners of war; not as malefactors. Infamy-attaching punishment at the bar of public opinion is not their portion; infamy is more generally attached to the function of the revenue-officer than to the function of the defrauder of the revenue. In every country the obtainment of good from the administration of the law depends on the excellence of the law itself. In Spain nothing can be worse: to Spain, then, the foregoing observations specially apply.

Thus much as to the mischiefs attendant on such a state of things. Is there any per-contra good?

The greater and more manifest the sum of mischief produced to all others, the less will be the benefit to those on whom it is sought to confer that benefit: the greater the mischief, the more surely manifest; and the more surely manifest, the greater the security for the removal of the mischief-producing ordinances; which if removed, the benefit for the sake of which the mischief was introduced will be removed with them. Thus on the part of the individuals for whom the favour was intended, prudence will interdict all expensive arrangements for taking the benefit of it. It will interdict the acceptance of a favour; a favour only to be obtained by perilous pecuniary adventure, whose continuance depends solely on the continuance of human blindness; the loss of which will accordingly be an assured consequence following the removal of the film of error.

But as great expectations may be excited by the promise of the exclusive benefits to be given to the home-producer as opposed to the rival-foreigner, it may be found that many will be so misguided as to stake their hopes and fortunes on the expected advantages. What wonder, then, if the influx of competition produce a further diminution of the promised benefit? If the legislating body, who are engaged by such powerful motives to take an accurate view of the situation in which they stand,—if the legislating body deceive themselves, and err under the influence of their self-deception, what wonder that others less well-informed—less intellectually distinguished—fall into the same or similar errors?

Before the tribunal of public opinion, the prohibition-system in question having nothing but misrepresentation for its support,—misrepresentation in all imaginable shapes is accordingly sure to be employed.

The sort of misrepresentation most trusted to is that by which the whole question is stated to be altogether and merely a question between natives and foreigners—between national and anti-national interests: the notion sought to be conveyed being, that whatever suffering is produced, it is by foreigners, and only by foreigners, that it is sustained; that whatever benefit is produced, it is by natives, and by natives alone, that it is reaped and enjoyed. Then comes the interrogation which is meant to impose silence: Will you sacrifice your own interests to the interests of these foreigners? who therefore are represented to view in as unfavourable a light as can be found for them; and thereupon comes the parade of patriotism

displayed, at a cheap rate,—at the expense of only a few pompous words.

But the truth has been already sufficiently unveiled; the truth, of universal application, and in an unanswerable form.

In the case of Spain the benefit of it has been shown to be little; next to nothing: the mischief great; and greater, much greater, to Spaniards themselves than to those whom they would call foreigners.

Thus, as towards foreigners in general, towards all the inhabitants of the globe, with the few exceptions of those we call our fellow-countrymen, antipathy is excited and propagated; a foolish and degrading antipathy, not less adverse to the dictates of self-regarding prudence, than to those of benevolence and beneficence. And what is the result, the melancholy result? Every effort which a man makes to excite his countrymen to hate foreigners, is an effort made, whether designedly or not, to excite foreigners to hate them; by every attempt in which he thus labours to bring down upon his countrymen the fruits of the enmity of these foreigners, he more effectually and certainly labours to deprive his countrymen of those fruits of good-will which they might otherwise have enjoyed.

The enmity which cannot but be produced on the part of those foreigners, even by the calm pursuit of their own interests,—the enmity necessarily produced by the frequent and unavoidable competition of interests,—is surely quite enough, without making any new and needless addition; without exerting and letting loose the angry passions in any other direction, and giving to ill-will—already too active and too prevalent—auxiliaries at once so unnecessary and so dangerous.

When, for the purpose of encouraging home industry, a prohibition is imposed on the produce of foreign industry when directed to the same object, the branch thus meant to be encouraged is either a new one or an old-established one.

It is in the former case that the impolicy and absurdity of the measure is at its maximum; it is as if a tax being imposed, the produce of it—the whole produce of it—should be thrown into the deep. If left to itself, personal interest would direct both labour and capital to their most profitable occupation: if the new favoured occupation be the most profitable, it needs not this artificial support; if it be *not* the most favourable, the effect, if any, of the prohibition, is to call capital and labour from a more profitable to a less profitable employment. At all events, the consequence of the prohibition is

this:—it leads to nothing, or it leads to detriment; if not useless, it is calamitous.

In vain would it be said: Aye, but it is only intended to apply this extra-encouragement to the new occupation while in its infancy; it is only in its infancy that it will stand in need of it: the time of probation past, and its time of maturity arrived, the wealth that will then be added to the wealth of the nation will, and for ever, be greater than the wealth which for a time it is proposed to subtract from it.

By no such statement can the prohibitory measure be justified. In the infancy of any such employment, it is only by actual wealth, in the shape of additional capital, that any effectual assistance can be given to a new branch of industry. By removal of competition, increase may indeed be given to the rate of profit, if profit be the result of the newly directed labour; but it is only by the employment of capital, which must necessarily be taken from other sources, that this result can be obtained: the prohibition of existing rival establishments will not create that capital.

The case in which the impolicy is less glaring, and the intervention most excusable and plausible, is that of an old-established branch of industry; the object being, not to bestow on it factitious encouragement, and on those concerned in it factitious prosperity,—but only to preserve it from decline, and those connected with it from being destitute of the means of subsistence.

But still the former objections irresistibly apply: If the establishment be prosperous, factitious encouragement is needless; if it be unprosperous, encouragement is baneful, serving only to give misdirection to capital and labour: to give permanent misdirection; since without that factitious encouragement, interest and common sense would correct the mistakes of miscalculation as soon as discovered.

In the next place comes the objection, that if in this shape encouragement be given to any particular occupation, it must, if impartial justice be done, be in like circumstances afforded to every other. In whatsoever instance; therefore, a branch of industry should be going on in a prosperous state, any rival branch of industry, that found itself in a declining or less prosperous state, would have right to claim the interposition of the prohibitory principle—the diminution or destruction of that rival's prosperity. On this supposition, a great part of the business of government would be to

watch over the whole field of productive labour, for the purpose—not the ultimate purpose, but still the purpose—of lessening the value of the produce; diminishing prosperousness, for the relief of unprosperousness; preventing *A* from selling cheap goods, in order that *B* may be enabled to sell dear ones; prohibiting *A* from producing superior articles, for the purpose of helping *B* to get rid of his inferior articles,

Here, then, is a vast proportion of the time and labour of the constituted authorities employed to no better purpose, in no higher aim, than to check prosperity as it proceeds; to sacrifice success to the want of success; to diminish the mass of habitual wealth, instead of increasing it.

Whatever be the effect of accident in this or that particular instance, operating against the general principle; the general principle may be safely assumed and laid down, that the prosperity of every branch of industry will increase and decrease in the ratio of the degree of aptitude—of moral, intellectual, and active aptitude—on the part of the persons engaged in it; on the degree, absolute and comparative, of prudence, vigilance, exertion, appropriate information, and industrious talent, possessed by them. Among the effects of the mode of supposed encouragement in question, will be its operating in the character of a prohibition on superior appropriate aptitude, and giving to inferior appropriate aptitude the advantage over it.

It is, in a word, a contrivance for causing every thing to be done as badly as possible; for giving to evil the encouragements due to good.

§ 3. *Causes of the prohibitory System.*

The system of injustice and impolicy thus extensively pursued, to what causes shall its existence and its domination be ascribed? In this case, as in others, the cause will be found in the comparative strength of the producing influence, concurring with the comparative weakness of the opposing and restraining influence.

The efficient causes—the causes of the prohibition—are

- I. Combined public exertions.
- II. Secret or corrupt influence.
- III. Non-existence of counter-efficient influence.
- IV. Legislative blindness.
- I. In proportion as an individual, engaged in any one branch

of industry, sees or fears to see his performances outdone by any competitor, whether foreign or domestic, he is interested in putting a stop to such rival labour, if possible; or to lessen its produce as far as he is able. The individual feeling is necessarily communicated to any body of individuals in the same situation; their common bond of union against those who are prejudiced by the employment of these productions, is much stronger than the motives to rivalry against one another. Hence, to obtain benefit for themselves and each other, individually and collectively considered, at the expense of all but themselves, is of course at all times the wish, and, as far as any prospect of success presents itself, at all times the endeavour, of all persons so connected and so situated.

By combined public exertion, what is meant to be designated is neither more nor less than the aggregate of the exertions made by all such individuals as deem themselves likely to receive benefit in any shape from the prohibitory measure in question. The following are the principal circumstances on which the success of such exertion will naturally depend:

1. The apparent and thence the real number of the persons thus confederating, of whose individual interests the particular interest in question is composed.

2. The aggregate quantity of capital engaged in the particular interest in question.

3. The apparent and thence the real magnitude of the loss that would be produced to that particular interest, for want of the prohibitory measure in question.

4. The facility which, by local neighbourhood or otherwise, they possess for combining their efforts, and for concerting measures for employing them with the greatest possible effect.

5. The ability with which such representations are framed, as are intended to convey their case to the cognizance of the constituted authorities, or others on whom they depend for the ultimate success of their exertions: ability accompanied by energy and clearness, in so far as correct conception would be favourable to their cause; with obscurity and confusion, in so far as correct conception would be unfavourable to their cause.

6. The useful extent given to the circulation of such their communications; which extent will have for its measure the difference between the whole number of the persons on whose cognizance of the matter the success of their exertions will have to depend, and

the number of those by whom, in consequence of their receipt of these communications or otherwise, cognizance of the matter comes to be actually taken.

II. By secret influence, the idea intended to be conveyed is that influence which, on the occasion in question, is applied to the one or the few on whose will the success of the exertion depends; by the one or the few who, by habitual intercourse, possess in relation to them more or less facility of access in private.

On the part of the individual in question, be he who he may, the quantity of time it is possible for him to apply to the business in question, be it what it may, is a limited quantity; a quantity which, with reference to that necessary for the reception of the whole body of information, is most commonly and most probably insufficient even when the faculties of the person in question are, in the highest degree possible, well adapted to the prompt and correct reception of it.

If in any instance it happens that a person who, by any consideration, be it what it may, stands engaged to give support to the measure, is in habits of adequate familiarity with those on whom the adoption of it depends, the consequent advantage possessed by the measure is great and manifest. An additional and extra quantity of the arbiter's time is thus applied to the subject, and applied on that side. The only portion of time habitually applied to the business of the office in question, taken in the aggregate, will be the only portion of time a part of which can in general be allotted to the particular business in question, in the regular and established way. If, then, so it be, that amongst those who have habitual access to the official person, amongst his ordinary companions and intimates, should happen to be a person thus interested in the measure, a portion of the time allotted even for refreshment will in this particular instance be added to the time allotted to official business; and thus the force of that sympathy which is produced by social enjoyment of this sort is added to whatsoever force the case may afford on that side, in the shape of appropriate and substantial argument.

Thus it is, that whatsoever of just representative fact and argument together is afforded by the measure in question, is capable of receiving, in one way or other, from secret influence an incalculable degree of force.

The influence, let it be supposed, is in the case in question no

other than that which may be deemed legitimate influence; influence of understanding on understanding; influence operating no otherwise than by the direct force of such facts and arguments as the case may furnish.

But by the same private opportunities through which, in conjunction with and addition to those of a public nature, facility is given to the application of this legitimate influence; by these same private opportunities, and by these alone, facility is also given to the application of sinister and corruptive influence: influence of will on will, applied in a pecuniary or other inviting shape to the official person's private interest.

III. In every such case of prohibition of one branch of industry for the encouragement of another,—of prohibition, for example, of foreign produce for the encouragement of domestic analogous produce,—there are, as above, two distinct interests; interests opposed to each other: the interest of producers, the particular interest; the interest of consumers, the universal interest. Of these opposite interests, it is the lesser interest that always operates, as above, with peculiar force; with a force which is peculiar to every particular interest, as contra-distinguished from and opposed to the greater, the universal interest. The individuals who compose the particular interest always are, or at least may be,—and have to thank themselves and one another if they are not,—a compact, harmonizing body; a chain of iron: the individuals making the universal interest are on every such occasion an unorganized, uncombined body; a rope of sand. Of the partakers in the universal interest, the proportion of interest centred in one individual is too small to afford sufficient inducement to apply his exertions to the support of his trifling share in the common interest. Add to which the difficulty, the impossibility, of confederacy to any such extent as should enable the exertions of the confederates fairly to represent the amount of the general interest,—that general interest embracing, with few exceptions, the whole mass of society. In a less degree the same observations apply to the case of the producers of the commodities with which, antecedently to the prohibition, the now-prohibited goods were purchased.

Much greater, however, is the advantage which the lesser sinister interest possesses over the greater common interest, as far as secret influence is concerned.

Of the two modes of secret influence, that which is exercised by

understanding on understanding comes in only in aid of the legitimate influence of appropriate facts and arguments: the demand for it is, therefore, not altogether exclusive; but in so far as that influence is exercised only on one side,—in so much as that influence is misdirected, by the combined means of persuasion employed by the confederated few who compose the particular interest, against the diffused-means of persuasion possessed by the unrepresented or imperfectly represented many, who compose the general interest,—in so far it is clearly pernicious.

But it is the exclusively possessed attribute of a particular interest, at once to require and to create facilities for the supply of sinister and corruptive influence. The universal interest—the people at large—the subject many—never see, never can see, engaged in support of their interest,—of that universal interest,—a friend and advocate established in habits of intimacy with the official person; at the table of the official person; an intimate whom, by any favour in their power to bestow, they can induce to engage that same official person to support, by his individual exertions, that general interest against which the particular interest is waging war. For any purpose of corrupt influence, the official person himself and his table-companion are equally inaccessible to the general interest: the particular interest can come at both.

The consequence is, that whenever the general interest is sacrificed to the particular interest, a probability has place that the sacrifice has been obtained not from the sincerity of honest delusion, but from the perversity of corrupt intention. This probability will be more or less according to the more or less obvious impolicy of the measure, and to the facilities afforded, under the circumstances of the case, for the introduction of corruptive influence among those who occupy the high places of authority.

These causes, in fact, apply to the whole field of government; they account for the universal domination of the interests of the few over the interests of the many; they account for the largest portion of the aggregate mass of misrule.

But, it may be retorted, this prevalence of particular over universal interest being, according to yourself, so general, the necessary consequence is, that no ultimate mischief ensues; every thing is as it should be: for what is the universal interest but the aggregate of all particular interests?

This is evading, not meeting the argument. The desire indeed exists universally to give prevalence each man to his own particular interest; but not the faculty. The wish is every where; the power not so.

Even of the manufacturing interests, it is not every class that has the power to associate and combine in support of the common interest of the class: that power only exists where similar manufactures are concentrated in small districts; where means of intercourse are frequent and easy; or where large numbers are employed by large capital lodged in the hand of a single individual, or of a single partnership. What facilities of general association or combination are possessed by individuals employed as general shopkeepers, bakers, butchers, tailors, shoemakers, farmers, carpenters, bricklayers, masons, &c.? None whatsoever.

Had every one individual in every one of these classes his vote in the business, all would indeed be as it should be: the sum of all the several distinguishable interests being thus framed and ascertained, would constitute the universal interest; in a word, the principle of universal suffrage would be applied.

Very different, however, is the state of things. Separate and particular interests start up, solicit and obtain protection, by the exercise of the influence referred to, to the danger and the detriment of the common prosperity. Of these the aggregate body of the influential interest is mainly composed. The concentration of immense capital in single hands, great facilities for combination, and sometimes an union of both, furnish a power of evil which is but too commonly allowed to immolate the general good. Against its gigantic influence, appeal would seem in vain. A number of small fraternities exist, who, if they were able to unite, might maintain themselves against one large one equal to them all: but as it is, standing up separately, separately they are opposed, and crushed by the overwhelming influence one by one.

Of the baneful effects produced by the concentrated efforts of a coalition of those individual interests which form the particular interest, as opposed to the general national interest, the Spanish prohibitory decree is a remarkable illustration. In this case, a few clamorous manufacturers and a few short-sighted, self-named patriots, united their forces, and besieged the Cortes with their representations. Compared to the amount of counter-interest, they were, as we have shown, as one to a hundred: but their forces

were organized—their strength was consolidated. Where then were the representatives of the thousand, when the representatives of the ten were drawn out in battle-array? No where! So the law was passed,—it was declared to be eminently popular; for the people who had petitioned, had petitioned in its favour: the truth being, that the people, the immense majority of the people, had not petitioned at all; nobody was sufficiently interested. The law was passed: and now it is that the *public* injury begins to be felt, and now it is that the *public* voice begins to be heard. Spain has had but too long and too calamitous an experience of the injury done by that ever-busy meddling with the freedom of commerce which has for ages distinguished her short-sighted legislators, and which, in spite of natural advantages almost peculiar to herself, has eternally involved her in financial difficulties, distress, and poverty.

In England, all other particular interests are overborne and crushed by one great particular interest, named in the aggregate the agricultural interest. By a system of prohibition, foreign grain is excluded with the avowed intent of making home-produced grain dearer than it would be otherwise,—dearer to the whole population in the character of consumers and customers; and for the avowed purpose of securing to a particular class of persons a pecuniary advantage, at the expense of the whole population of the country.*

*As a guide to estimate the consumption of foreign corn in Great Britain, the imports and exports for 21 successive years will be found in Tables D and E. They were published in 1813 by order of the House of Commons. By these it would appear that the pro-rata annual importation of wheat, taking this period into account, was about 450,000 quarters; and of flour, 200,000 cwts.: which, taken in round numbers at 50,000 quarters, makes 500,000 quarters in all. The pro-rata exports of the same period were about 43,000 quarters of wheat, and 100,000 cwts. of flour; say in all, 68,000 quarters of wheat: so that the net amount of foreign grain consumed in Great Britain will have been about 430,000 quarters yearly. Calculating the annual consumption of the country at 11 millions of quarters, the proportion employed of foreign to home-produced wheat will be about a twenty-sixth part. Dr. Adam Smith gives no data, but assumes the proportion in his time to have been as 1 to 570.¹ Can such a change have really taken place?

In Spain, one-thirtieth part of the whole consumption is the general amount of importation. The estimated quantity employed yearly is said to be 60 million fanegas: the average yearly importation is 2 million fanegas (Antillon²).

These calculations can be only deemed approximative, not correct. In great towns, one quarter of wheat *per annum* for every individual is made out to be the general consumption. London consumes about 19,000 sacks of flour weekly; but this proportion is necessarily much too high with a reference to Great Britain, in many parts of which the majority of the population employ no wheat at all.

¹[*Wealth of Nations*, bk. IV, ch. II.]

²[The reference is to some publication by Isidoro Antillon y Marzo, possibly to a number of his *Semanario Patriótico* or of his *Gaceta del Gobierno*.]

But the class of persons meant to be favoured, and actually favoured, by this undue advantage, are not any class of persons employed in any beneficial operation; but a class of persons who, without any labour of their own, derive from the labours of others a share of the means of enjoyment much greater than is possessed by any who employ their labour in the purchase of it. They are land proprietors, deriving their means of enjoyment or of luxury from the rent of land cultivated by the industrious: they are, in a word, not labourers, but idlers; not the many, but the few. While, for the support of war, paper-money was issued in excess, they let their lands at rates which, if neither too high nor too low at that time, taking into account the then value of money, would necessarily be too high when, by the diminution of the issue of that money, the difficulty of obtaining it was increased, and its value increased from the same cause: and this evil is accumulating, if the amount of taxes paid by the occupier of the land, on account of the land, or on any other account, increases also.

In this case—the case as it now exists—the difficulty of coming to a right judgement, of feeling that we have come to a right judgement, is great indeed; so great, that in the determination of many an individual, in whose breast particular interest is in operation, [even] regard for the universal interest might and would have been productive of the very line of conduct which has been determined by the more potent force of individual interest.

But of this difficulty, wherever it exists, what should be the consequence? Not that prohibition should be resorted to, but that it should be abstained from. So long as nothing is done in relation to the object by government, whatever happens amiss is the result of the nation's will, and government is not chargeable with it. But when, and if, and where government takes upon itself to interfere and apply to the subject its coercive power, whatever mischief results from the exercise of that coercive power, is the result of the agency of government, and the rulers stand chargeable with it.

Whichever course is taken; action or inaction—interference or non-interference—liberty, or coercion in the shape of prohibition; distress to a vast extent—distress verging on ruin—distress on one side or the other—must be the inevitable consequence. If the importation of foreign grain be left free, ruin is entailed on the farmer, distress on the landlords: prohibit foreign grain, and ruin falls not only upon the manufacturer, but upon the labouring class;

that is, the great majority even of agriculturists. Such is our miserable situation: its cause is excessive taxation; excessive taxation, the consequence of unjust war; unjust war, the fruits of the determination formed by the ruling few to keep the subject many in a state of ignorance and error,—in a state of dependence something beneath the maximum of degradation and oppression. In England, the primal and all-sufficient cause of misgovernment, and consequent misery, the corruption of the system of national representation; in every other country, the want of a system of adequate national representation, or rather the want of a representative democracy, in place of a more or less mitigated despotism: the want of the only form of government in which the greatest happiness of the greatest number is the end in view.

†The mischiefs, then, of this system of partial encouragement being in all its shapes so vast, so incalculable, and their sum so plainly predominant over the sum of good, to whom or to what shall we attribute the existence, the prevalence of such a system?

To the general causes of misrule; to the want of the necessary elements of good government; to a deficiency of appropriate probity, or intellectual aptitude, or active talent: in other words, to a want of honesty, or ability, or industry.

One cause bearing upon the question of appropriate intellectual aptitude or ability, and likely to mislead it, is this:—The good which constitutes the ground of the prohibitory measure, the reason that operates in favour of it, is comparatively prominent: the evil not equally so; its place is comparatively in the back-ground. Hence it is [that], as in too many other instances, a good, however small, is by its vicinity to the eye enabled to eclipse and conceal the evil, however large.

When, reckoning from the day on which a measure has received the force of law, a certain period of time has elapsed, custom covers it with its mantle; and, regarding it as an unauthorized act of daring to look into the nature of the measure, men inquire no further than into the existence of the law; habit gives it a fixed authority: and thus it is that, in every country, worship is bestowed on laws and institutions vying in absurdity with any scheme of extravagance which the imagination of man could produce.

Thus things go on—evil is piled upon evil—till at length the burthen of evil is absolutely intolerable. Then it is that men's eyes

†[It is possible that Bentham meant to insert here "IV".]

are opened, and a desire to retrace their erroneous steps is conceived. But no sooner has the legislator turned round, than he finds the way barred against him by a host of difficulties. And thus, when nothing would have been easier at first than to prevent the disease,—that is, to forbear creating it,—the cure becomes ineligible, insufferable, not to say impossible; and error and folly become immoveable and immortal.

TABLE A

Value of British Produce and Manufactures exported from Great Britain to Spain in the Years 1817, 1818, and 1819.

	1817	1818	1819
	£	£	£
Brass and Copper Manufactures .	10,170	7,642	9,077
Cotton Manufactures	42,292	25,718	65,056
Glass and Earthenware	14,843	15,125	12,200
Iron, Steel, and Hardwares . .	52,893	58,925	61,618
Linen Manufactures	116,267	100,622	95,623
Silk Manufactures	74,813	68,790	62,926
Tin and Pewter Wares	20,059	12,489	13,992
Woollen Goods	186,849	164,479	124,517
Sundries, consisting principally of Fish and other Provisions, Apparel, Plate, Jewellery, and Household Furniture; Musical and Mathe- matical Instruments, Lead, Cop- peras, and Painters' Colours . .	70,635	65,055	64,269
Total	£588,821	518,845	509,278

TABLE B

An Account of the Quantity of the principal Articles imported into Great Britain from Spain in the Years 1817, 1818, and 1819.

	1817	1818	1819
Almonds of all sorts . . . cts.q.lbs.	1,534 3 6	3,086 3 25	2,384 2 10
Barilla . . . cts.q.lbs.	6,437 0 22	16,027 2 21	14,505 3 21
Cochineal . . . lbs.	118,105	50,104	37,217
Cork . . . cts.q.lbs.	9,973 2 10	13,896 2 4	16,725 2 22
Cortex Peruvianus . lbs.	32,338	30,282	4,544
Jalap . . . lbs.	54,607	29,946	98,863
Indigo . . . lbs.	82,189	85,265	3
Lead Black . . cts.q.lbs.	2,019 2 16	4,221 0 23	1,611 2 7
Lemons & Oranges nmb ^r	6,902,775	7,443,475	12,066,880
Nuts, small . bushels.	66,360½	87,922	50,743¼
Quicksilver . . lbs.	698,830	1,156,783	449,965
Raisins . . . cts.q.lbs.	42,536 1 21	69,232 1 3	61,815 0 25
Shumac . . . cts.q.lbs.	5,310 3 10	7,816 2 26	2,894 0 27
Wine . . . ts.h.gal	4,246 0 11½	6,805 2 13	4,115 3 36½
Wool, Sheeps' . lbs.	6,282,033	8,760,627	5,528,966

TABLE C

An approximative Estimate of the Value of the principal Articles of Merchandize imported into Great Britain from Spain in the Years 1817, 1818, and 1819.

	1817	1818	1819
Almonds of all sorts	£ 6,140	12,348	9,538
Barilla	8,046	20,035	21,881
Cochineal	147,631	62,630	46,522
Cork	24,932	34,736	41,815
Cortex Peruvianus	3,235	3,028	755
Jalap	2,785	1,498	4,944
Indigo	24,657	25,579	1
Black Lead	3,026	10,865	2,416
Lemons and Oranges . . .	8,054	8,685	14,079
Nuts, small	53,300	73,265	42,285
Quicksilver	52,412	86,759	58,497
Shumac	5,315	7,816	2,898
Wine	582,100	544,450	569,238
Wool, Sheeps'	785,254	1,095,078	691,120
Raisins	108,804	103,848	92,723
Total	£1,715,691	2,090,620	1,598,712

The above Table is not official, and the value probably not very accurately calculated.

TABLE D

Account of Foreign Grain, &c. imported into Great Britain from 1792 to 1812 inclusive.

Years	Barley	Barley Meal	Beans	Indian Corn	Indian Meal	Malt	Oats	Oat-meal	Pease	Rye	Rye Meal	Wheat	Wheat Flour
	<i>Quartars.</i>	<i>Cwts.</i>	<i>Quartars.</i>	<i>Quartars.</i>	<i>Cwts.</i>	<i>Quartars.</i>	<i>Quartars.</i>	<i>Cwts.</i>	<i>Quartars.</i>	<i>Quartars.</i>	<i>Cwts.</i>	<i>Quartars.</i>	<i>Cwts.</i>
1792	113,080	...	36,605	5,677	...	...	450,976	...	4,793	12,536	...	18,931	7,757
1793	142,884	...	26,408	2	...	...	429,994	...	18,553	55,564	...	415,376	211,588
1794	111,370	...	88,396	1,600	...	...	484,370	...	40,368	24,058	3,705	316,086	9,308
1795	18,070	...	13,823	20,586	...	...	105,168	8	20,263	11,597	37,595	274,522	86,726
1796	40,033	...	34,327	22,410	20,651	...	459,932	15	32,711	160,583	11,611	820,381	205,855
1797	51,930	...	16,807	107	14	...	274,490	2	17,818	8,258	...	420,414	2,769
1798	66,705	...	8,540	21	...	...	411,456	...	21,632	6,925	...	378,740	1,734
1799	19,387	...	3,237	2	...	...	170,233	...	8,750	22,051	2,650	430,274	61,584
1800	130,898	...	15,796	8,436	9,471	...	542,603	7	26,796	138,713	22,025	1,174,523	312,367
1801	113,966	...	16,246	44,472	113,141	...	582,628	63	44,218	99,847	177,494	1,186,237	833,016
1802	8,196	...	4,138	737	15,513	...	241,848	...	10,558	14,889	1,162	140,698	236,061
1803	1,148	...	85	669	146	...	254,799	14	23,381	3,347	...	224,055	309,409
1804	9,074	2	8,868	242	8	...	500,369	2	18,570	2,438	...	386,194	17,060
1805	27,645	...	8,727	16	27	...	275,105	...	8,583	24,032	...	821,164	54,539
1806	2,058	...	1,045	108	18	...	183,428	...	171	683	2	136,763	248,907
1807	3,043	...	9,997	1,062	4	...	420,032	...	4,680	7,309	...	215,776	504,209
1808	4,601	216	8,674	4,307	5	1,228	34,630	73	12,807	4,724	3	33,780	19,642
1809	13,341	31	27,297	1,262	...	533	96,911	861	33,071	13,047	541	245,774	497,314
1810	17,953	153	11,685	36	3	893	115,916	3	12,053	90,116	3,206	1,304,577	472,633
1811	39,900	778	357	13	12	1,493	11,446	410	4,994	27,765	166	179,645	31,215
1812	40,375	103	16	17	...	356	14,826	445	661	71,771	3,296	115,811	49,194

TABLE E

An Account of the Quantity of Corn and Grain of all sorts, Meal, Flour, and Rice, exported from Great Britain from 1792 to 1812 inclusive; distinguishing the Quantity of each Year; the Price of the Year being the real Value and the total Export of each Year in Value.

Years	Barley	Barley Meal	Beans	Indian Corn	Indian Meal	Malt	Oats	Oat-meal	Pease	Rye	Rye Meal	Wheat	Total quantities exported			Total Value at the average Market Prices
	Qrts.	Cwts.	Qrts.	Qrts.	Cwts.	Qrts.	Qrts.	Cwts.	Qrts.	Qrts.	Cwts.	Qrts.	Corn & Grain	Meal & Flour	Rice	
1792	29110	...	11696	...	...	20021	23940	2195	5629	16151	...	250982	357489	174729	174959	£1063753
1793	1529	...	9771	...	...	1993	16237	3728	4582	512	...	44866	79430	115740	96172	361053
1794	2964	...	7320	1448	...	6473	13388	4196	3280	1919	...	116273	153265	139909	79336	579487
1795	1789	...	3235	465	...	4627	5420	2274	1315	115	603	677	17643	66444	25809	149393
1796	7204	...	8613	3289	...	5929	10072	3093	2112	122	...	677	38018	87101	76692	266171
1797	5253	...	8486	6419	5711	7870	18869	4502	2835	108	1436	23076	72916	121720	69730	310909
1798	2856	...	16092	580	23	12220	23600	5748	3415	680	...	22138	81581	137328	73532	344340
1799	24901	...	9508	500	...	16485	17633	6590	2311	40	396	16960	88338	85395	44626	363567
1800	3393	...	7146	...	...	2415	9505	3951	1822	37	1448	7866	32184	54914	6422	234578
1801	1614	...	5476	378	1988	2111	12278	4774	1508	25	6926	5227	28617	94814	20947	297094
1802	4727	...	6792	1328	400	3148	15482	3300	2370	6484	...	104414	144745	166813	210899	807060
1803	32756	...	4885	...	...	11032	14047	3907	2626	1030	...	47630	101326	105233	57163	393560
1804	115102	2125	5918	58	...	12747	17168	3098	2999	3798	...	30229	114956	120179	50292	536092
1805	6555	...	5490	...	...	6902	14000	3720	3886	3808	...	54243	82994	94884	41734	505102
1806	16820	...	6734	...	...	6805	27764	12938	4682	4020	...	4716	86973	71541	49371	337222
1807	6360	...	7374	...	...	7202	22702	13619	2325	956	...	2634	49553	89677	30810	259892
1808	2936	1207	6519	210	...	7493	21620	9480	3556	3907	300	8495	241752	54376	15359	484231
1809	5061	30	2827	...	...	5830	16085	7576	2610	708	13	4866	92442	37987	28738	298699
1810	11348	83	2804	...	...	8218	19199	9651	3059	8155	2944	61488	50040	62718	139054	716923
1811	53246	156	2175	...	...	10982	40047	7260	3603	35235	1091	73249	218537	94313	83698	893469
1812	53205	100	1956	...	...	9562	21398	14229	2918	21400	1548	27091	137530	83195	32141	760130

THE PSYCHOLOGY
OF
ECONOMIC MAN

THE PSYCHOLOGY OF ECONOMIC MAN

[I]

MY notion of man is, that, successfully or unsuccessfully, he aims at happiness, and so will continue to aim as long as he continues to be man, in every thing he does.

[II]

In the general tenor of life, in every human breast, self-regarding interest is predominant over all other interests put together. More shortly thus,—Self-regard is predominant,—or thus,—Self-preference has place everywhere.

This position may, to some eyes, present itself in the character of an axiom: as such self-evident, and not standing in need of proof. To others, as a position or proposition which, how clearly soever true, still stands in need of proof.

To deliver a position in the character of an axiom, is to deliver it under the expectation that, either it will not be controverted at all, or that he by whom it is controverted, will not, in justification of the denial given by him to it, be able to advance anything by which the unreasonableness of his opinion or pretended opinion, will not be exposed. Of this stamp are the axioms laid down by Euclid. In the axioms so laid down by him, nothing of dogmatism will, it is believed, be found.

By the principle of self-preference, understand that propensity in human nature, by which, on the occasion of every act he exercises, every human being is led to pursue that line of conduct which, according to his view of the case, taken by him at the moment, will be in the highest degree contributory to his own greatest happiness, whatsoever be the effect of it, in relation to the happiness of other similar beings, any or all of them taken together. For the satisfaction of those who may doubt, reference may be made to the *existence* of the species as being of itself a proof, and *that* a conclusive one. For after exception made of the case of children not arrived at the age of which they are capable of going alone, or adults reduced by infirmity to a helpless state; take any two

individuals, A and B, and suppose the whole care of the happiness of A confined to the breast of B, A himself not having any part in it; and the whole care of the happiness of B confined to the breast of A, B himself not having any part in it, and this to be the case throughout, it will soon appear that, in this state of things, the species could not continue in existence, and that a few months, not to say weeks or days, would suffice for the annihilation of it.

Of all modes in which, for the governance of one and the same individual, the two faculties could be conceived as placed in different seats,—sensation and consequent desire in one breast, judgment and consequent action in another, this is the most simple. If, as has with less truth been said of the blind leading the blind, both would, in such a state of things, be continually falling into the ditch; much more frequently, and more speedily fatal, would be the falls, supposing the separation to have place upon any more complex plan. Suppose the care of the happiness of A being taken altogether from A, were divided between B and C, the happiness of B and C being provided for in the same complex manner, and so on; the greater the complication, the more speedy would the destruction be, and the more flagrant the absurdity of a supposition, assuming the existence of such a state of things.

[III]

A man is said *to have an interest in any subject*, in so far as that *subject* is considered as more or less likely to be to him a source of pleasure or exemption [from pain]:—*subject*, viz. *thing* or *person*; *thing*, in virtue of this or that *use* which it may happen to him to derive from that thing, *person*, in virtue of this or that *service*, which it may happen to him to receive at the hands of that person.

A man is said *to have an interest in the performance of this or that act*, by himself or any other—or in *the taking place of this or that event or state of things*,—in so far as, upon and in consequence of its having place, this or that *good* (i.e. *pleasure or exemption*) is considered as being more or less likely to be possessed by him.

It is said *to be a man's interest that* the act, the event, or the state of things in question should have place, in so far as it is supposed that—upon, and in consequence of, its having place—*good*, to a greater *value*, will be possessed by him than in the contrary case. In the former case, *interest* corresponds to a *single item* in the account

of *good and evil*; in the latter case, it corresponds to a *balance* on the side of *good*.

When to a man's enjoying a certain *good*, i.e. a certain *pleasure* or *exemption* from a certain *pain*—it has appeared to him to be necessary that a certain *event* or *state of things* should have had place; and, for the purpose of causing it to have place, he has performed a certain act; then so it is, that among the psychological phenomena, which, on the occasion in question, have had place and operation in his mind, are the following, viz. 1. He has felt himself to have an *interest* in the possession of that same good. 2. He has felt a *desire* to possess it. 3. He has felt an *aversion* to the idea of his not possessing it. 4. He has felt the *want* of it. 5. He has entertained a *hope* of possessing it. 6. He has had before his eyes the *fear* of not possessing it. 7. And the *desire* he has felt of possessing it has operated on his will in the character of a *motive*, by the sole operation, or by the help of which, the act exercised by him, as above, has been produced.

To the *will* it is that the idea of a pleasure or an exemption applies itself in the *first* instance; in *that* stage its effect, if not conclusive, is *velleity*: by *velleity*, reference is made to the *understanding*, viz. 1. for striking a *balance* between the *value* of this *good*, and that of the *pain* or *loss*, if any, which present themselves as eventually about to stand associated with it; 2. then, if the balance appear to be in its favour for the choice of *means*: thereupon, if *action* be the result, *velleity* is perfected into *volition*, of which the correspondent *action* is the immediate consequence. For the process that has place, this description may serve alike in *all* cases: *time* occupied by it may be of any length; from a minute fraction of a *second*, as in ordinary cases, to any number of years.

[IV]

It is a trite and idle observation that the engagements of sovereigns are kept no longer than suits their convenience.

This observation is of a piece with another observation equally trite concerning man in general, that he is never governed by any thing but his own interest. This observation in a large and extensive sense of the word *interest* (as comprehending all sorts of motives) is indubitably true: but as indubitably false in any of the confined senses in which upon such an occasion the word *interest* is wont to

be made use of. These levelling notions are in point of tendency as pernicious as in point of fact they are ill-grounded: the tendency of them being constantly, and the design frequently, to cover and to cherish the very immorality which they represent as being already at the extreme: the existence of which they maintain and pretend perhaps to deplore.

[v]

Of action the sole efficient cause is interest, if interest be taken in its most enlarged sense: *i.e.* according to each man's perception of what, at the moment in question, is his most forcibly influencing interest: the interest determined by social sympathy and antipathy, as well as that which is of a purely self-regarding complexion, included. It is only by a sense of interest, by the eventual expectation of pain or pleasure, that human conduct can, in any case, be influenced: if it is by any opinion, supposed to be formed by other men, that a man's conduct is in any way, and in any degree, influenced, it can only be through the medium of expected action, and thence of correspondent will, on the part of the individuals in question, that the influence can be produced: the expectation that, by the opinion, favourable or unfavourable, correspondent *will*, will be produced, and by correspondent will, correspondent action, in the shape of good or evil offices; and by such good or evil offices on the one part, pleasure or pain on the other.

[vi]

By the self-regarding principle, the more urgent the need a man feels himself to have of the kindness and good will of others, the more strenuous and steady will be his exertion for the obtaining it: the less the need, the less strenuous. The kindness and good will, and thence on occasion the good offices, the services of others, are, (where and in so far as power of remuneration is wanting,) no otherwise to be obtained than by demonstration of the like kindness, in effect and in endeavour, on the man's own part towards them. The stronger a man's need of the effective benevolence of others, the stronger the inducement he has for the manifesting effective benevolence as towards them—an inducement which, in this way, self-regarding prudence suffices to afford; the less the need, the less strong the inducement.

So, the more extensively a man feels himself exposed to ill-treatment at the hands of others, the stronger is the inducement he has to bestow upon them good treatment, for the purpose of averting from him the effects of such their ill-will.

[vii]

If by interest in some shape or other, that is by a motive of one sort or other, every act of the will, and thence every act of the hand, is produced, so, directly or indirectly, must every act of the intellectual faculty: though in this case the influence of the interest, of this or that motive, is neither so perceptible, nor in itself so direct as in the other.

But how (it may be asked) is it possible that the motive a man is actuated by can be secret to himself? Nothing is more easy—nothing more frequent. Indeed the rare case is, not that of his not knowing, but that of his knowing it.

It is with the anatomy of the human mind as with the anatomy and physiology of the human body: the rare case is, not that of a man's being unacquainted, but that of his being conversant with it.

The physiology of the body is not without its difficulties: but in comparison of those by which the knowledge of the physiology of the mind has been obstructed, the difficulties are slight indeed.

Not unfrequently, as between two persons living together in a state of intimacy, either or each may possess a more correct and complete view of the motives by which the mind of the other, than of those by which his own mind is governed.

Many a woman has in this way had a more correct and complete acquaintance with the internal causes by which the conduct of her husband has been determined, than he has had himself.

The cause of this is easily pointed out. By interest, a man is continually prompted to make himself as correctly and completely acquainted as possible with the springs of action by which the minds of those are determined, on whom he is more or less dependent for the comfort of his life.

But by interest he is at the same time diverted from any close examination into the springs by which his own conduct is determined.

From such knowledge he has not, in any ordinary shape, any thing to gain,—he finds not in it any source of enjoyment.

In any such knowledge he would be more likely to find mortifica-

tion than satisfaction. The purely social motives, the semi-social motives, and, in the case of the dissocial motives, such of them as have their source in an impulse given by the purely social or by the semi-social motives,—these are the motives, the prevalence of which he finds mentioned as matter of praise in the instance of other men: it is by the supposed prevalence of these amiable motives that he finds reputation raised, and that respect and good-will in which every man is obliged to look for so large a portion of the comfort of his life.

In these same amiable and desirable endowments he finds the minds of other men actually abounding and overflowing: abounding during their lifetime by the testimony of their friends, and after their departure by the recorded testimony enregistered in some monthly magazine, with the acclamation of their friends, and with scarce a dissenting voice from among their enemies.

But the more closely he looks into the mechanism of his own mind, the less of the mass of effects produced he finds referable to any of those amiable and delightful causes; he finds nothing, therefore, to attract him towards this study, he finds much to repel him from it.

Praise and self-satisfaction on the score of moral worth, being accordingly hopeless, it is in intellectual that he will seek for it. "All men who are actuated by regard for any thing but self, are fools; those only whose regard is confined to self, are wise. I am of the number of the wise."

Perhaps he is a man with whom a large proportion of the self-regarding motives may be mixed up with a slight tincture of the social motives operating upon the private scale. What in this case will he do? In investigating the source of a given action, he will in the first instance set it down, the whole of it, to the account of the amiable and conciliatory, in a word, the social motives. This, in the study of his own mental physiology, will always be his first step, and this will commonly be his last. Why should he look further? why take in hand the probe? why undeceive himself, and substitute a whole truth that would mortify him, for a half truth that flatters him?

The greater the share which the motives of the social class have in the production of the general tenour of a man's conduct, the less irksome, it seems evident, this sort of psychological self-anatomy will be. The first view is pleasing; and the more virtuous the man

the more pleasing is that study which to every man has been pronounced the proper one.

But the less irksome any pursuit is, the greater, if the state of faculties, intellectual and active, permit, will be a man's progress in it.

[VIII]

The desire of self-preservation is called a natural propensity, that is to say is regarded with approbation. The desire of gain is a propensity not less natural, but in this case, although more useful, it is not regarded with the same approbation. This is a mischievous prejudice, but it exists, and it is therefore necessary to combat its influence. We must treat opinions as we find them, and not act as though they were what they ought to be. This is not the only instance in which it is necessary to put a constraint upon men's inclinations, that they may be at liberty to follow them.

[IX]

Labour being necessary to the acquisition of *wealth*, and at the same time equally necessary to the preservation of *existence*, thus it is that, disguised under the name of *desire of labour*, the *desire of wealth* has been, in some measure, preserved from the reproach which, with so much profusion, has been wont to be cast upon it, when viewed in a direct point of view, and under its own name.

Meantime, as to *labour*, although the desire of it—of labour *simply*—desire of labour *for the sake of labour*,—of labour considered in the character of an *end*, without any view to any thing else, is a sort of desire that seems scarcely to have place in the human breast; yet, if considered in the character of a *means*, scarce a desire can be found, to the gratification of which *labour*, and therein *the desire of labour*, is not continually rendered subservient: hence again it is, that, when abstraction is made of the consideration of the *end*, there scarcely exists a desire, the name of which has been so apt to be employed for *eulogistic purposes*, and thence to contract an *eulogistic signification*, as the appellative that has been employed in bringing to view this *desire of labour*. *Industry* is this appellative: and thus it is, that, under *another* name, the *desire of wealth* has been furnished with a sort of *letter of recommendation*, which, under its *own* name, could not have been given to it.

Aversion—not *desire*—is the emotion—the only emotion—which *labour*, taken by itself, is qualified to produce: of any such emotion as *love* or *desire*, *ease*, which is the *negative* or *absence* of *labour*—*ease*, not *labour*—is the object. In so far as *labour* is taken in its proper sense, *love of labour* is a contradiction in terms.

[x]

That which in the language of sentimentalism is a sacrifice of private to public interest, [is] but a sacrifice of a self-supposed private interest in one shape to a self-supposed private interest in another shape: for example, of an interest corresponding to the love of power, to an interest corresponding to love of reputation:—of that reputation, of which power is the expected fruit.

[xi]

The mind of every public man is subject at all times to the operation of two distinct interests; a public and a private one. His public interest is that which is constituted of the share he has in the happiness and well-being of the whole community, or of the major part of it: his private interest is constituted of, or by, the share he has in the well-being of some portion of the community less than the major part; of which private interest, the smallest possible portion is that which is composed of his own individual—his own personal—interest.

In the greater number of instances, these two interests are not only distinct, but opposite: and that to such a degree, that if either be exclusively pursued, the other must be sacrificed to it.

Take, for example, pecuniary interest. It is the personal interest of every public man at whose disposal public money extracted by taxes from the whole community is placed, that as large a share as possible, and if possible the whole of it, should remain there for his own use: it is at the same time the interest of the public, including his own portion of the public interest, that as small a share as possible, and if possible no part at all, remain in these same hands for his personal or any other private use.

Taking the whole of life together, there exists not, nor ever can exist, that human being in whose instance any public interest he can have had, will not, in so far as depends upon himself, have

been sacrificed to his own personal interest. Towards the advancement of the public interest, all that the most public-spirited, which is as much as to say the most virtuous of men, can do, is to do what depends upon himself towards bringing the public interest, that is his own personal share in the public interest, to a state as nearly approaching to coincidence, and on as few occasions amounting to a state of repugnance, as possible with his private interests.

[xii]

If, for example, the commencement or continuance of a war being the question upon the carpet, if, upon his calculation, a hundred a-year during the continuance of the war, or for ever, will be the amount of the contribution which according to his calculation he will have to pay, (and if in his calculation not only the amount of his own share in the burthen, but the interest which in the way of sympathy he takes in the amount of such part of the burthen as will have to be borne by his private and particular connexions of all sorts be taken into the account,) if his expected profit by the war be equal to 0, and no particular gust of passion intervene, to drive him from the pursuit of what appears to be his lasting interest upon the whole,—he will be against the war, and what influence it may happen to him to possess, will be exerted on that side. But if, while to the amount of £100 a-year loss by war is calculated upon as probable, profit to the amount of £1000 a-year, accompanied by equal or correspondent probability, presents itself as about to be secured to him by the operation of the same cause,—the man being an average man, not particularly known to you,—no consideration can warrant, nor can anything but mere mental weakness produce in you any such expectation as that peace will find in him a real advocate, or that whether he himself be or be not aware of what passes within him, his conduct will have for its determining cause, anything but the balance of profit and loss above brought to view.

[xiii]

Every body of men is governed altogether by its conception of what is its interest, in the narrowest and most selfish sense of the word interest: never by any regard for the interest of the people. In that position, none of those inducements, any one of which may

suffice to cause a single man to make sacrifice of his private interest to the universal interest, can have place: viz. desire of reputation, pleasure of sympathy for the people, pleasure of power in respect of the secret consciousness of having had so large a share in contributing to the happiness of the people. Yes, perhaps for a moment, under an excitation produced by a fine speech: but for anything of a continuance, never is any body of men determined by any other consideration than its conception of what is in the highest degree beneficial to its purely self-regarding interests.

[xiv]

Happily there is no *primaeval* and constant source of antipathy in human nature, as there is of sympathy.

[xv]

The preparation in the human bosom for antipathy towards other men is, under all circumstances, most unhappily copious and active. The boundless range of human desires, and the very limited number of objects adapted to satisfy them, unavoidably leads a man to consider those with whom he is obliged to share such objects, as inconvenient rivals who narrow his own extent of enjoyment. Besides, human beings are the most powerful instruments of production, and therefore every one becomes anxious to employ the services of his fellows in multiplying his own comforts. Hence the intense and universal thirst for power; the equally prevalent hatred of subjection. Each man therefore meets with an obstinate resistance to his own will, and is obliged to make an equally constant opposition to that of others, and this naturally engenders antipathy towards the beings who thus baffle and contravene his wishes.

[xvi]

It may be asserted as a broad and general truth, that whatever curtails the personal comfort and happiness of any individual, disqualifies him to an equal extent from imparting happiness to his fellow-creatures; and not only thus much, but even disposes him to reduce, if possible, their quota of enjoyment to a level with his own.

[xvii]

The great enemies of public peace are the selfish and dissocial passions:—necessary as they are—the one to the very existence of each individual, the other to his security. On the part of these affections, a deficiency in point of strength is never to be apprehended: all that is to be apprehended in respect of them, is to be apprehended on the side of their excess. Society is held together only by the sacrifices that men can be induced to make of the gratifications they demand: to obtain these sacrifices is the great difficulty, the great task of government.

[xviii]

“What a picture”—(I hear some of you saying)—“What a picture, old and gloomy-minded man! are you giving us of human nature! as if there were no such quality as disinterestedness—no such quality as philanthropy—no such quality as disposition to self-sacrifice—in the whole species: no such individual as a *King* taking a pleasure in his duty—doing, on all occasions, his utmost to promote the happiness of his people!

“Notions such as these! and with proofs to the contrary—proofs so brilliant and so indubitable—all the while before your eyes!”

Now for my answer:—My children, I admit all this. I do not deny it: I cannot deny it: I wish not to deny it: sorry should I be if it were in my power to deny it. Not the less do I maintain the fact—that, of the human species, as of every other, the very existence depends upon the established, and almost uninterrupted habit of self-preference.

But I will not—for I need not—trouble you with the development of this truth. I will not—for I need not—attempt to draw you into any such dark recess as the den of what is called among you *metaphysics*, in which the springs of human action are looked into and hammered at. I need not. And why? Even because my belief in this truth prevents me not from believing in any of those things which you suppose me to deny.

Yes, I admit the existence of *disinterestedness* in the sense in which you mean it. I admit the existence of *philanthropy*—philanthropy even to an all-comprehensive extent. How could I do otherwise than admit it? My children! I have not far to look for it. Without it, how could so many papers that have preceded this letter, have

come into existence? I admit the existence of a disposition to self-sacrifice: How could I do otherwise? Could I deny the existence of the work of the *three days*?

Yes, I admit—not only the possible existence—I admit the actual existence of a *King* who takes a pleasure in doing his duty,—of a King who, on all occasions, does his utmost to promote the happiness and interests of his people.

Oh how charming to my heart is the impossibility of an inward refusal to those admissions! But my children! it is on what has been seen most commonly to happen,—and thence presents itself as most likely to happen—it is upon *this* that all practice, if it has any pretension to the praise of prudence, must be built.

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What is the language of simple truth? That in spite of everything which is *said*, the general predominance of self-regard over every other sort of regard, is demonstrated by everything that is *done*: that in the ordinary tenor of life, in the breasts of human beings of ordinary mould, self is everything, to which all other persons, added to all other things put together, are as nothing: that admitting, as perhaps it may be admitted, that in a highly matured state of society, in here and there a highly cultivated and expanded mind, under the stimulus of some extraordinary excitement, a sacrifice of self-regarding interest to social interest, upon a national scale, has not been without example—public virtue in this shape cannot reasonably be regarded as being so frequently exemplified as insanity.

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In every human breast, rare and short-lived ebullitions, the result of some extraordinary strong stimulus or incitement excepted, self-regarding interest is predominant over social interest: each person's own individual interest, over the interests of all other persons taken together.

In the few instances, if any, in which, throughout the whole tenour or the general tenour of his life, a person sacrifices his own individual interest to that of any other person or persons, such person or persons will be a person or persons with whom he is connected by some domestic or other private and narrow tie of sympathy; not the whole

number, or the majority of the whole number, of the individuals of which the political community to which he belongs is composed.

If in any political community there be any individuals by whom, for a constancy, the interests of all the other members put together are preferred to the interest composed of their own individual interest, and that of the few persons particularly connected with them, these public-spirited individuals will be so few, and at the same time so impossible to distinguish from the rest, that to every practical purpose they may, without any practical error, be laid out of the account.

[xxi]

That principle of action is most to be depended upon, whose influence is most powerful, most constant, most uniform, most lasting, and most general among mankind. Personal interest is that principle: a system of economy built on any other foundation, is built upon a quicksand.

[xxii]

Among all the several species of psychological entities, the names of which are to be found either in the *Table of the Springs of Action*, or in the *Explanations* subjoined to it, the two which are as it were the *roots*,—the main pillars or *foundations* of all the rest,—the *matter* of which all the rest are composed—or the *receptacles* of that matter,—which soever may be the *physical image*, employed to give *aid*, if not *existence* to conception,—will be, it is believed, if they have not been already, seen to be, PLEASURES and PAINS. Of *these*, the existence is matter of universal and constant experience. Without any of the rest, *these* are susceptible of,—and as often as they come *unlooked* for, do actually come into,—*existence*: without these, no one of all those others ever had, or ever could have had, existence.

True it is, that, when the question is—what, in the case in question, are the *springs of action*, by which, on the occasion in question, the mind in question has been operated upon, or to the operation of which it has been exposed,—the species of *psychological entity*, to be looked out for in the first place, is *the motive*. But, of the sort of *motive*, which has thus been in operation, no clear idea can be entertained otherwise than by reference to the sort of *pleasure* or *pain*, which such *motive* has for its *basis*: viz. the pleasure or pain,

the idea, and eventual expectation, of which, is considered as having been operating in the character of a *motive*.

This being understood, the corresponding *interest* is at the same time understood: and, if it be to the *pleasurable* class that the operating cause in question belongs, then so it is that, in its way to become a *motive*, the interest has become productive of a *desire*: if to the *painful* class, of a correspondent *aversion*: and thus it is, that, on the occasion in question, the operation of a motive of the kind in question, whatever it be (meaning a motive *to the will*), having had existence, it can not but be, that a corresponding *desire* or *aversion*,—and the *idea*, and *eventual expectation* at least, of a corresponding *pleasure* or *pain*,—and the idea and belief of the existence of a corresponding *interest*,—must also have had existence.

On this basis must also be erected, and to this standard must be referred,—whatsoever clear explanations are capable of being suggested by the other more anomalous appellatives; such as *emotion*, *affection*, *passion*, *disposition*, *inclination*, *propensity*, *quality* (viz. *moral quality*), *vice*, *virtue*, *moral good*, *moral evil*.

[XXIII]

As to the proposition that passion does not calculate, this, like most of these very general and oracular propositions, is not true. When matters of such importance as pain and pleasure are at stake, and these in the highest degree (the only matters, in short, that can be of importance) who is there that does not calculate? Men calculate, some with less exactness, indeed, some with more: but all men calculate. I would not say, that even a madman does not calculate.* Passion calculates, more or less, in every man: in different men, according to the warmth or coolness of their dispositions: according to the firmness or irritability of their minds: according to the nature of the motives by which they are acted upon. Happily, of all passions, that is the most given to calculation, from the excesses of which, by reason of its strength, constancy, and universality, society has most to apprehend: I mean that which corresponds to the motive of pecuniary interest.

*There are few madmen but what are observed to be afraid of the strait waistcoat.

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To a person considered *by himself*, the value of a pleasure or pain considered *by itself*, will be greater or less, according to the four following circumstances:*

1. Its *intensity*.
2. Its *duration*.
3. Its *certainly or uncertainty*.
4. Its *propinquity or remoteness*.

These are the circumstances which are to be considered in estimating a pleasure or a pain considered each of them by itself. But when the value of any pleasure or pain is considered for the purpose of estimating the tendency of any *act* by which it is produced, there are two other circumstances to be taken into the account; these are,

5. Its *fecundity*, or the chance it has of being followed by sensations of the *same* kind: that is, pleasures, if it be a pleasure: pains, if it be a pain.

6. Its *purity*, or the chance it has of *not* being followed by sensations of the *opposite* kind: that is, pains, if it be a pleasure: pleasures, if it be a pain.

These two last, however, are in strictness scarcely to be deemed properties of the pleasure or the pain itself; they are not, therefore, in strictness to be taken into the account of the value of that pleasure or that pain. They are in strictness to be deemed properties only of the act, or other event, by which such pleasure or pain has been produced; and accordingly are only to be taken into the account of the tendency of such act or such event.

To a *number* of persons, with reference to each of whom the value of a pleasure or a pain is considered, it will be greater or

*These circumstances have since been denominated *elements* or *dimensions* of *value* in a pleasure or a pain.

Not long after the publication of the first edition, the following memoriter verses were framed, in the view of lodging more effectually, in the memory, these points, on which the whole fabric of morals and legislation may be seen to rest.

Intense, long, certain, speedy, fruitful, pure—

Such marks in *pleasures* and in *pains* endure.

Such pleasures seek, if *private* be thy end:

If it be *public*, wide let them *extend*.

Such *pains* avoid, whichever be thy view:

If pains *must* come, let them *extend* to few.

less, according to seven circumstances: to wit, the six preceding ones; viz.

1. Its *intensity*.
2. Its *duration*.
3. Its *certainty* or *uncertainty*.
4. Its *propinquity* or *remoteness*.
5. Its *fecundity*.
6. Its *purity*.

And one other; to wit:

7. Its *extent*; that is, the number of persons to whom it *extends*; or (in other words) who are affected by it.

To take an exact account then of the general tendency of any act, by which the interests of a community are affected, proceed as follows. Begin with any one person of those whose interests seem most immediately to be affected by it: and take an account,

1. Of the value of each distinguishable *pleasure* which appears to be produced by it in the *first* instance.
2. Of the value of each *pain* which appears to be produced by it in the *first* instance.
3. Of the value of each pleasure which appears to be produced by it *after* the first. This constitutes the *fecundity* of the first *pleasure* and the *impurity* of the first *pain*.
4. Of the value of each *pain* which appears to be produced by it after the first. This constitutes the *fecundity* of the first *pain*, and the *impurity* of the first *pleasure*.

5. Sum up all the values of all the *pleasures* on the one side, and those of all the *pains* on the other. The balance, if it be on the side of pleasure, will give the *good* tendency of the act upon the whole, with respect to the interests of that *individual* person; if on the side of pain, the *bad* tendency of it upon the whole.

6. Take an account of the *number* of persons whose interests appear to be concerned; and repeat the above process with respect to each. *Sum up* the numbers expressive of the degrees of *good* tendency, which the act has, with respect to each individual, in regard to whom the tendency of it is *good* upon the whole: do this again with respect to each individual, in regard to whom the tendency of it is *good* upon the whole: do this again with respect to each individual, in regard to whom the tendency of it is *bad* upon the whole. Take the *balance*; which, if on the side of *pleasure*, will give the general *good tendency* of the act, with respect to the total number or community

of individuals concerned; if on the side of pain, the general *evil tendency*, with respect to the same community.

It is not to be expected that this process should be strictly pursued previously to every moral judgment, or to every legislative or judicial operation. It may, however, be always kept in view: and as near as the process actually pursued on these occasions approaches to it, so near will such process approach to the character of an exact one.

The same process is alike applicable to pleasure and pain, in whatever shape they appear: and by whatever denomination they are distinguished: to pleasure, whether it be called *good* (which is properly the cause or instrument of pleasure), or *profit* (which is distant pleasure, or the cause or instrument of distant pleasure), or *convenience*, or *advantage*, *benefit*, *emolument*, *happiness*, and so forth: to pain, whether it be called *evil* (which corresponds to *good*), or *mischief*, or *inconvenience*, or *disadvantage*, or *loss*, or *unhappiness*, and so forth.

Nor is this a novel and unwarranted, any more than it is a useless theory. In all this there is nothing but what the practice of mankind, wheresoever they have a clear view of their own interest, is perfectly conformable to. An article of property, an estate in land, for instance, is valuable: on what account? On account of the pleasures of all kinds which it enables a man to produce, and, what comes to the same thing, the pains of all kinds which it enables him to avert. But the value of such an article of property is universally understood to rise or fall according to the length or shortness of the time which a man has in it: the certainty or uncertainty of its coming into possession; and the nearness or remoteness of the time at which, if at all, it is to come into possession. As to the *intensity* of the pleasures which a man may derive from it, this is never thought of, because it depends upon the use which each particular person may come to make of it; which cannot be estimated till the particular pleasures he may come to derive from it, or the particular pains he may come to exclude by means of it, are brought to view. For the same reason, neither does he think of the *fecundity* or *purity* of those pleasures.

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Money (that is, the ratio of a given sum of money to the total sum of a man's capital) we have already shewn to be the most

accurate measure of the quantity of pain or pleasure a man can be made to receive. The pleasures which two men will be deprived of, by being made to lose each a given part (suppose a tenth) of their respective fortunes, will in *specie* perhaps be very different; but this does not hinder but that, on taking into the account quantity on the one hand, and actual expectations and probable burthens on the other, they may be the same; they will be the same as nearly as any two quantities can be made to be so by any rule of measuring. It is from his money that a man derives the main part of his pleasures; the only part that lies open to estimation. The supposition we are forced to follow is, that the quantities of pleasure men are capable of purchasing with their respective capitals are respectively equal. This supposition is, it must be supposed, very loose indeed, and inaccurate, because the quantity of a man's capital is subject to infinite fluctuations, and because there is great reason to suppose that a richer man is apt to be happier upon an average than a poorer man. It is, however, after all, nearer to the truth than any other general suppositions that for the purpose in question can be made.

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In the way, and by means of compensation, there is no evil to which it may not happen to be, in the instance of the individual in question, reparable in the way of equivalent.

Relation had to the individual in question, an evil is reparable, and exactly repaired, when, after having sustained the evil and received the compensation, it would be a matter of indifference whether to receive the like evil, coupled with the like compensation, or not.

What is manifest is—that to no person, other than the individual himself, can it be known whether, in his instance, between an evil sustained, and a benefit received on account of it, any compensation have place or not.

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For argument's sake, suppose even mutilation employed,—mutilation even in parts or organs more than one. Not altogether unsusceptible of reparation would even this punishment be: for, for suffering in this shape, reparation, and to a very wide extent, is almost everywhere actually in use: witness this, in the pensions

granted in the sea or military service; and it is a matter generally understood, that by the individuals by whom on this account reparation in this shape and degree is received, it is not unusually regarded as adequate; insomuch that if asked, whether for the same reparation they would originally have been content, or would now, if it were to do over again, be content to be subjected to the same suffering, the answer would be in the affirmative.

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On the other hand, the magnitude of the evil (in its first stage at least)—the magnitude of the suffering, is not by any meant proportioned to the magnitude of the sum which is the instrument of it. Of the suffering produced by a loss, the magnitude is not as the *absolute* amount of the sum lost, but as its *relative* amount, relation being had to the aggregate mass of the property of the loser: to a person the value of whose whole property does not exceed eleven pounds, the loss of ten pounds may produce at least as severe a suffering as to one who has eleven thousand pounds, a loss of ten thousand; while the number of those who are susceptible of a loss of ten pounds is perhaps a hundred times as great as the number of those who are susceptible of a loss of ten thousand pounds, leaving a remainder of not less than one thousand pounds.

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Any thing that has no influence on happiness, on what ground can it be said to have any claim to man's regard? And, on what ground, in the eyes of a common guardian, can any one man's happiness be shown to have any stronger or less strong claim to regard than any others? If, on the ground of delinquency, in the name of punishment, it be right that any man should be rendered unhappy, it is not that his happiness has less claim to regard than another man's, but that it is necessary to the greatest happiness of the greatest number, that a portion of the happiness of that one be sacrificed.

Reasons, indicative of this conduciveness, are reasons derived from the principle known by the name of the *principle of utility*: more expressively say *the greatest-happiness principle*. To exhibit these reasons is to draw up the account between law and happiness: to apply arithmetical calculations to the elements of happiness. *Political*

arithmetic—a name that has by some been given to *political economy*—is an application, though but a particular and far short of an all-comprehensive one, of arithmetic and its calculations, to happiness and its elements.

To convey a sufficiently clear, correct, and comprehensive conception of what is meant by *reason*, or *a reason*, when derived from the *principle of utility*, and applied to law, a few words of explanation seem indispensable.

The elements of happiness are *pleasures* and *exemptions from pains*: individual pleasures, and exemptions from individual pains.

The *magnitude*—the *greatness*—of a pleasure, is composed of its *intensity* and its *duration*: to obtain it, supposing its intensity represented by a certain number of degrees, you multiply that number by the number expressive of the moments or atoms of time contained in its duration. Suppose two pleasures at the same degree of intensity,—give to the second twice the duration of the first, the second is twice as *great* as the first.

Just so is it with pains: and thence with exemptions from pains.*

Take any two sources of pleasure: the one productive of pleasure to one person and no more: the other productive of pleasure, the same in magnitude and value, to two other persons and no more. In the eyes of a common trustee, entrusted with the interests of all three, and acting according to his trust, the value of the second source of pleasure will be just twice as great as that of the first. As a pleasure comes to be experienced by a greater and greater number of persons in a community, it *extends* over a larger portion of that same community: in a political community, the *extent* of a pleasure is as the *number* of the persons by whom it is experienced.

Just so it is with pains and exemptions from pains.

Instead of pleasure itself, to show how an estimate might be formed, of the diminution its value is subjected to by diminution of propinquity and certainty, it became necessary to substitute to pleasure itself some external object known by experience to be of the number of its *sources* or say its *causes*: for example *money*. But, how indubitable soever the title may be, of any object to be considered as belonging to the list of these same causes, the magnitude

*A *medicine*, in so far as it produces the desired effect, is an instrument of exemption from certain pains. An instrument of political security in any shape is an instrument of exemption from certain pains. Of the one as of the other, the value, at any point of time, is as the sum of the pains it has exempted men from, deduction made of the pains it has produced, and the pleasures it has excluded.

of the pleasure produced by it does not encrease in so great a ratio as that in which the magnitude of the cause encreases. Take, for instance, the same cause as before: namely *money*. Take thereupon any individual: give him a certain quantity of money, you will produce in his mind a certain quantity of pleasure. Give him again the same quantity, you will make an addition to the quantity of his pleasure. But the magnitude of the pleasure produced by the second sum will not be twice the magnitude of the pleasure produced by the first. While the sums are small, the truth of this position may not be perceivable. But let the sums have risen to a certain magnitude, it will be altogether out of doubt; and it will then be matter of mathematical certainty that the diminution can not have been made to take place in the case of the greatest quantity without having been made to take place, to a proportionable amount, in the case of the several lesser quantities.

Take, for example, on the one hand, a labouring man, who, for the whole of his life, has a bare but sure subsistence: call his income £20 a year. Take, on the other hand, the richest man in the country; who, of course, will be the monarch, if there is one: call his income £1,000,000. The net quantities of happiness, produced by the two incomes respectively—what will be their ratio to each other? The quantity of money received annually by the monarch is, on this supposition, 50,000 times as great as that received, in the same time, by the labourer. This supposed, the quantity of pleasure in the breast of the monarch will naturally be greater than the quantity in the breast of the labourer: Be it so. But by how much—by how many times greater? Fifty thousand times? This is assuredly more than any man would take upon himself to say. A thousand times, then?—a hundred?—ten times?—five times?—twice?—which of all these shall be the number? Weight, extent, heat, light—for quantities of all these articles, we have perceptible and expressible measures: unhappily or happily, for quantities of pleasure or pain, we have no such measures. Ask a man to *name* the ratio,—if he knows what the purpose is, his answer will vary according to the purpose: if he be a poet or an orator, and the purpose of the moment requires it, with as little scruple will he make the labourer's happiness superior to the monarch's, as inferior to it. For the monarch's, taking all purposes together, *five times* the labourer's seems a very large, not to say an excessive allowance: even *twice*, a liberal one.

After it has thus been applied to the case of the richest individual

in the country, apply the estimate to the case of the next richest, suppose the man with £200,000 a year, and so downwards. If the monarch's pleasure is not in any greater ratio to the labourer's than that of 5 to 1, the excess of this next richest man's pleasure, as compared with the labourer's, cannot be so great. Carry the comparison down through the several intermediate quantities of income, —in the account of pleasure, the balance in favour of the non-labourer as against the labourer will thus be less and less.

As it is with *money*, so is it with all other sources or causes of pleasure: *factitious dignity* for example. Give a man a ribbon, you will produce in his mind a certain quantity of pleasure. To this ribbon add another, you may add more or less to the former quantity of his pleasure. You may *add* to it: but you will not *double* it. Cover him with ribbons, as, at the expense of his starving subjects, some of the King of England's servants are covered with gold lace, till the colour of the coat is scarcely visible—add even money in proportion—still will it be matter of doubt whether the quantity of pleasure in his mind will be double the quantity existing in the mind of the labouring man above-mentioned.*

*On the ground of these considerations, in the author's work on legislation, on the field of the civil, or say the *distributive* branch of law, in settling the particular ends or objects of pursuit proper to be on that occasion kept in view, in the distribution made of benefits and burthens—on the ground of these considerations it is, that, to the objects expressed by the words *subsistence*, *abundance*, and *security*, was added that which is expressed by the word *equality*. For, on the occasion of the arrangements by which this distribution is effected, it is no less material that this object should be added to the list, than it is necessary that those others should be provided for and take the lead. *Absolute equality*, is that sort of equality which would have place, if, of the several benefits, as also of the several burthens, each man had exactly the same quantity as every other man: by *practical equality*, understand whatsoever approach to absolute equality can be made, when provision as effectual as can be made has been made for those three other particular ends of superior necessity. In regard to *security*, understand likewise, that, amongst the adversaries, against whose maleficent designs and enterprizes security requires to be provided,—are not only foreign enemies and internal *malefactors* commonly so called, but moreover those members of the community, whose power affords them such facilities for producing, with impunity, and on the largest scale, those evils, for the production of which, upon the smallest scale, those who are without power are punished by them with so little reserve. As to *absolute equality*, it would be no less plainly inconsistent with *practical equality* than with *subsistence*, *abundance*, and *security*. Suppose but a commencement made, by the power of a government of any kind, in the design of establishing it, the effect would be—that, instead of every one's having an equal share in the sum of the objects of general desire—and in particular in the means of *subsistence*, and the matter of *abundance*, no one would have any share in it at all. Before any division of it could be made, the whole would be destroyed: and, destroyed, along with it, those *by* whom, as well as those for the sake of whom, the division had been ordained.

In a word, where *equality* is spoken of as one of the particular ends, in the attainment

The footing, upon which the process of reasoning is thus placed by the principle of utility, is not only the only true and defensible footing, but the only one (it will be seen) on which any tolerable degree of precision can have place: and, even in so slight a sketch as the present, already it may have been observed, how near to mathematical the degree of precision is, in this case, capable of being made. Considered with reference to an *individual*, in every element of human happiness, in every element of its opposite unhappiness, the *elements*, or say *dimensions* of *value* (it has been seen) are four: *intensity*, *duration*, *propinquity*, *certainty*; add, if in a political community, *extent*. Of these five, the first, it is true, is not susceptible of precise expression: it *not* being susceptible of measurement. But the four others *are*.

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By equality is here meant, not the utmost conceivable equality, but only practicable equality. The utmost conceivable equality has place only in the field of physics; it applies only to weight, measure, time, and thence to motion.

The utmost conceivable equality, say absolute equality, admits not of degrees,—practicable equality does admit of degrees.

Equality is not itself, as security, subsistence, and abundance are, an immediate instrument of felicity. It operates only through the medium of those three, especially through abundance and security. Of all three taken together, the use, fruit, and object is felicity—the maximum of felicity; of this maximum the magnitude depends upon the degree of equality that has place in the proportions in which those three are distributed.

Apply it first to subsistence,—means or instruments of subsistence,—subsistence taken in the strict sense. There is not in this case a place for degrees in the scale of equality; for, by the supposition, no inequality has place in this case. As contradistinguished from the instruments of abundance, by the means of subsistence, is meant that least quantity of those instruments, which is such, that with any lesser quantity existence could not have place: no subsistence, no existence.

It is when applied to abundance—to the elements or instruments

of which the distributive branch of law ought to occupy itself,—the sort of equality kept in view should be that which has place in the *Anglo-American United States*: meaning always those in which slave-holding has no place.

of abundance, that the nature, and, with the nature, the importance, of political economy is most plainly discernible.

In the aggregate of the elements of abundance is included, as above, the aggregate of the means of subsistence. If the aggregate of felicity were as the aggregate of the elements of subsistence, no addition could be made, by any degree of equality, to the aggregate of felicity. But so far is this from being the case, that it is a question scarcely susceptible of solution, whether, where the aggregate of the elements of abundance is represented by the greatest number possible, the aggregate of felicity is so great as, or greater than, two. Take, on the one hand, the day-labourer, who throughout life has had complete means of subsistence, but at no time any portion of the elements of abundance: take, on the other part, the monarch, who throughout life has had the elements of abundance, together with all the other instruments of felicity, in the greatest quantity possible. Ages equal, scarcely can any one assure himself by full persuasion, that the quantity of felicity enjoyed by the monarch has been twice the amount of that enjoyed by the labourer; for the quantity of felicity is not as the quantity of the elements of felicity simply, but as the quantity of the elements of felicity, and the capacity of containing the felicity, taken together. In a basin of water, introduce anywhere a secret waste-pipe: inject through another pipe any quantity of water how great soever, the vessel, it shall happen, will be never the fuller; for as fast as it flows in at one part, it flows out at another. Just so it is with the elements or instruments of felicity, when a stream of them, of boundless magnitude, is injected into the human breast. Of pain, in all its shapes, a monarch is no less susceptible than the labourer: and in its most common shapes the quantity of pain may be, and frequently is, so great as to outweigh the greatest quantity of pleasure in all its shapes, of which human nature is susceptible. Even suppose pain, in all its severe shapes, absent during the whole time: the quantity experienced the whole time, suppose it a minimum: this being the case in both situations, still the question will remain insoluble as before. For in both cases the quantity of felicity actually enjoyed depends on the degree of sensibility to enjoyment, in each instance: and while in the labourer the sensibility is a maximum, the degree of sensibility in the monarch may be a minimum. Even supposing this sensibility to be at the same degree, in both instances at a given time of life, it is, in the case of the monarch, exposed to a cause

of diminution, which has no place in the case of the labourer; for by high doses of the exciting matter applied to the organ, its sensibility is in a manner worn out. And in fact, number for number, the certain probative symptoms or circumstantial evidences of infelicity, as exhibited on the countenance, are at least as frequent in the case of the monarch as in the case of the labourer.

Apply the investigation to any of the situations intermediate between that of the labourer and that of the monarch, the result will be the same.

The more closely the subject is looked into, the more complete will the persuasion be.

Of the enjoyments or instruments of positive felicity, the principal and most unquestionable will be found to be, as constantly and in as high a degree, attached to the situation of the labourer, as above delineated—the labourer, to whom none of the means of subsistence have been wanting, though none of the other elements of abundance have been present—as to that of the monarch.

The principal enjoyments of which human nature is susceptible, constancy of repetition being considered as well as magnitude, are—those produced by the operations by which the individual is preserved; those produced by the operations by which the species is preserved; that cessation from labour which is termed repose; and that pleasure of sympathy which is produced by the observation of others partaking in the same enjoyments. These four, with the exception of repose, are so many positive enjoyments upon the face of them.

Cessation from labour presents, it is true, upon the face of it no more than a negative idea; but when the condition of him by whom repose after corporeal labour is experienced, is considered, the enjoyment will be seen to be a positive quantity; for, in this case, not merely a cessation from discomfort, but a pleasurable feeling of a peculiar kind, is experienced, such as, without the antecedent labour, never can be experienced. In the case of the labourer, it may indeed be said, that before the time of repose, with its enjoyment, arrives, the labour is pushed to a degree of intensity of which pain (in those degrees, at least, in which it is denoted by the word discomfort) has been produced. But the greater the degree of the pain of suffrance, the greater the degree of the pleasure of expectation—the expectation of the pleasure of repose—with which it has been accompanied. And this pleasure of expectation has had for

its accompaniment, the pleasures of expectation respectively appertaining to the other pleasures of enjoyment above-mentioned; sensibility with regard to each being increased by that very labour, to the intensity of which that of the pleasure of repose is proportioned.

Pursue the investigation throughout the several other enjoyments of which human nature is susceptible, the ultimate result will not be materially different.

[xxxI]

Considered in itself, an occupation may be either painful, pleasurable, or indifferent; but continued beyond a certain time, and without interruption (such is the constitution of man's nature,) every occupation whatsoever becomes disagreeable: not only so, but such as were in the beginning pleasurable become, by their continuance, more disagreeable than such as were originally indifferent.

To eat grapes, for instance, is what, at certain times at least, will probably be to most men rather an agreeable occupation: to pick them an indifferent one. But in two or three hours, for example, the eating them will become intolerable, while the picking them may still remain, perhaps, in itself nearly a matter of indifference.

[xxxII]

All inducements are expectations either of pleasure or pain. The force with which all expectations act upon the human bosom varies according as they differ in, 1. Intensity,—2. Duration,—3. Certainty,—4. Propinquity. These are the four elements of value which constitute and measure the comparative strength of all human motives.

Take for example an expected pleasure. What are the motives which govern a man in the investment of money? He prefers that mode in which the profits are largest, most certain, and quickest. Present to him a speculation of greater hazard or in which he must be kept longer out of his money; the value of such an expectation is less, and he will not embrace it unless allured by a larger profit. Deficiency in certainty and propinquity will thus be compensated by an increase of intensity and duration.

[xxxiii]

The magnitude of a pleasure, supposing it present, being given,—the *value* of it, if not *present*, is diminished by whatever it falls short of being present, even though its *certainty* be supposed entire. Pleasure itself not being ponderable or measurable, to form an estimate of this diminution, take the general source, and thence representative, of pleasure, viz. *money*. Take accordingly two sums of the same magnitude, say twenty pounds, the one sum receivable immediately, the other not till at the end of () years from the present time, interest of money being (suppose) at 5 per cent.—the value of the second sum will be but half that of the first; namely, ten pounds: in the same case, therefore, will be the value of two equal pleasures receivable at those several times. Just so is it with pains: and thence with exemptions from pains.

The magnitude of the pleasure derived from the source in question, supposing it present, being given—as also the value to which it is reduced by *distance* as above—the value of it is subjected to a further reduction by whatever it is deficient in respect of *certainty*: suppose, then, that at the time for its being received, as above, the probability, instead of being as infinity to one, i.e. at a certainty, is but as 1 to 2. On this supposition, the value of it is subjected to such further reduction, as leaves it no more than the half of that which it would have been, had the receipt of it at that remote period been regarded as *certain*: instead of twenty pounds, as by the first supposition, and ten pounds, as by the second supposition, it will now be no more than five pounds. Just so is it with pains, and with exemption from pains.

[xxxiv]

For *Technology*, the first division might be that which has for its source, the distinction between such instruments as are applied *immediately* to one or other, or both together, of the two all-comprehensive objects above-mentioned,—viz. exemption from pain, and perception of pleasure,—and such as are conducive to the production of those same desirable effects, no otherwise than in a manner more or less *remote*, viz. by being, in some way or other, conducive to the production of the just-mentioned immediate instruments.

Materials and instruments—materials on which the art is exercised,

and instruments with the help of which it is exercised—in the distinction between the extensive and multifarious classes of objects, thus respectively denominated, another source of division may be observed.

In respect of *vicinity to use*, the station of the *materials*, serving as subjects to the art, is susceptible of indefinitely numerous degrees. The *extreme* stations are those respectively expressed by the appellatives *raw materials* and *finished work*. Between these two extremes may be seen interposed, according to the nature of the finished work, different numbers of distinguishable *intermediate* states. As the number of these intermediate states *increases*, the *finished work* being the same, the total mass of labour, employed in the production of the finished work, has been observed to be *diminished*; diminished by the influence of causes, which, under the head of *division of labour*, have been so clearly held up to view by *Adam Smith*.

When, considered under all the modifications of which it is susceptible, the *work* has been brought into that state in which the appellation of *finished work* may with propriety be applied to it,—on taking any article of it for an example, it will be found to be either of such nature as enables it, without the intervention of any other object, to be applied in an immediate way to *immediate use*,—viz. in the way either of excluding pain or of administering pleasure, as above,—or else not to be susceptible of being applied to use in any other shape than that of *preparatory*, *subservient*, or say *instrumental* use, viz. by being subservient to the production, or right and effective application, of some subject or subjects, applicable, as above, in an *immediate* way to use.

As there are instruments, the use of which consists in their being respectively applied in an *immediate* way,—that is, each according to its nature and destination, applied without the intervention of any other, to the repulsion of pain, or production of pleasure, or to both at once,—so there are others which, howsoever truly conducive to these ends, are not so in any other than an *unimmediate* way, i.e. by being subservient either to the production, or to the application of some instrument or instruments, coming, as above, under the denomination of immediate instruments. *Immediate* utility admits not of *degrees*: but of *unimmediate* utility, as above, degrees may have place in any number. The *scale*, to which these degrees belong, may be termed the scale of *vicinity to use*. Instruments, the station of which is on the highest degree of the scale—say the *first*

degree—the degree nearest to immediate use—may be termed instruments of the *1st order*: those, next to them, i.e. next below them, instruments of the *2d order*; and so on, through any number of degrees, which, in any system of connected instruments, may, at any time, be found exemplified.

Of materials, and instruments of all kinds, whether applied immediately or unimmediately to use—some are applicable, and accordingly applied to their respective uses, each of them by itself: others, not but in conjunction, each of them with one or more other instruments.

Agriculture is conspicuous for the number of instances it affords of instruments which are capable of being, and are wont to be, employed *single*, as above: Manufactures, taken in the aggregate, for the multitude of the instances they afford, of instruments which cannot be employed but *conjunctly*.

The principal characteristics, by which the systems of productive operations, commonly comprehended under the appellation of *manufactures*, are distinguished from those called *trades*, or *handicraft trades*, seem to be—the greater length to which they carry the division of labour,—the multitude of the instances they afford of instruments of *subservient use*, employed *conjunctly* with each other,—and the number of the different *orders* into which, as above, those instruments would be found ranged below one another in the scale of *vicinity to use*.

Raw material, or *finished work*—instrument of *immediate use*, or instrument of *unimmediate* and *subservient use*—no portion of matter can ever, or in any way be of use, until it is arrived at the *place*, which it is requisite it should occupy, in order to its being applied in that same way to use. Hence two universally concomitant modes of subserviency to use, of which, in so far as they are moveable, all useful instruments are susceptible: viz. subserviency in the way of *formation* or *application*,—and subserviency in the way of *conveyance*.

To this place belongs a system of division, which, with a view to clear, correct, and all-comprehensive conception, might not altogether without advantage, in the way of instruction, be applied to the aggregate mass of the several different *instruments of conveyance*: these are (say) *stationary*, i.e. Roads; *moveable*, i.e. *Carriages*,—and so on.

In the above may be seen, though nothing like a complete list, a specimen of the various *sources of division*, by means of which,

taken altogether, roads might, with no small instruction and convenience, at any rate, to the as yet unpracticed traveller, be cut in so many various directions, through the wilderness of *Technology*.¹

¹ While this volume is passing through the press, Prof. David Baumgardt's book *Bentham and the Ethics of Today* (1952) has come to hand. The economist will find two hitherto unknown passages published in it (quotation 38 on p. 332 and Appendix IV on pp. 554-566) of interest. They concern Bentham's felicific calculus and moral arithmetic, i.e. his theory of value.

APPENDIX I

THE TEXTUAL SOURCES OF THE PRESENT EDITION

In the two anthologies (*The Philosophy of Economic Science* and *The Psychology of Economic Man*) references are, wherever possible, given both to Bowring's *Works of Jeremy Bentham* and to the edition of last hand on which the text here printed is based. Where there is only a reference to the *Works*, the book in question was not published in Bentham's life-time, at any rate not in English. Where there is no reference to the *Works*, the publication concerned was not included by Bowring in his eleven volumes.

"U.C." means Bentham Collection of University College, London; "B.M." British Museum; and "Geneva Collection" refers to the Dumont papers of the Bibliothèque Publique et Universitaire at Geneva.

[THE PHILOSOPHY OF ECONOMIC SCIENCE]

- I: *Works* IV, p. 117; *Panopticon*, 1791, p. 222.
- II: *Works* II, pp. 252-253, 255-256; *The Rationale of Reward*, 1825, pp. 203-205, 212-213.
- III: *Works* VIII, pp. 82-84, 88-89, 89-90, 92-94; *Chrestomathia*, 1816-17, pp. 172-180, 195-198, 204, 212-215.
- IV: *Works* III, pp. 211-213.
- V: *Works* III, pp. 212, 295.
- VI: *Works* III, pp. 203-204.
- VII: *Works* VIII, pp. 209-210.
- VIII: *Works* II, p. 522.
- IX: *Works* II, p. 495.
- X: *Works* II, p. 306.
- XI: *Works* II, p. 307.
- XII: *Works* IV, p. 177; *Letters to Lord Pelham*, 1802, p. 9.
- XIII: *Works* II, p. 458; *The Book of Fallacies*, 1824, p. 299.
- XIV: *Works* I, p. 139; *An Introduction to the Principles of Morals and Legislation*, ed. 1823, II, pp. 218-219.
- XV: *Works* II, pp. 493-494.
- XVI: *A Comment on the Commentaries*, ed. Everett, 1928, p. 105.
- XVII: *Works* VIII, p. 265.
- XVIII: *Works* VIII, p. 282.
- XIX: Everett, *The Education of Jeremy Bentham*, 1931, p. 36.
- XX: *Works* I, p. 237; *A Fragment on Government*, ed. Montague (critical edition), 1891, pp. 118-119.
- XXI: *Works* I, pp. 1-2; *An Introduction to the Principles of Morals and Legislation*, 1823, I, pp. 3-4.
- XXII: *Works* VIII, p. 231.

- XXIII: *Works* VIII, pp. 207–208.
 XXIV: *Works* IX, p. 68.
 XXV: *Works* III, pp. 224–230.
 XXVI: Everett, *The Education of Jeremy Bentham*, 1931, pp. 35–36.
 XXVII: *Works* V, p. 294; *Defence of Economy against Burke*, 1817, pp. 32–33.
 XXVIII: *Works* III, pp. 286–287.
 XXIX: *Works* IX, p. 252; *Constitutional Code*, 1830, p. 339.
 XXX: *Works* VIII, p. 163.
 XXXI: *Works* IV, p. 327; *Draught of a New Plan for the Organisation of the Judicial Establishment in France*, 1790, Chap. II, Tit. II, p. 10.

DEFENCE OF USURY

Reprinted here from the second edition of 1790. The editions of 1816 and 1818 were disregarded because they are simply commercially produced reprints of that of 1790.

[Letter] to Dr. Smith

U.C. CLXIX, 174–175.

[Proposed] Preface [to the Second Edition]

U.C. XVII, 4, 5.

Postscript

U.C. XVII, 6, 7, 8, 9, 12, 11, 3.

Agriculture not dependent on Manufactures

U.C. XVII, 2, 1.

COLONIES AND NAVY

U.C. XXV, 36, 39, 37, 38, 44; XVII, 54; XXV, 45, 46; XVII, 55, 56; XXV, 41, 40, 47, 48; XVII, 57; XXV, 49, 42, 43.

MANUAL OF POLITICAL ECONOMY

- 1: U.C. XVII, 14, 15.
 2: ib. 24, 22, 25, 26, 27, 28.
 3: ib. 220.
 4: ib. 22, 60, 59, 23, 59, 61, 20.
 5: ib. 22, 72.
 6: ib. 29, 30.
 7: ib. 32.
 8: ib. 33, 71, 17, 34, 35, 38, 39, 36, 37.
 9: ib. 42, 44, 43, 71, 18.
 10: ib. 40.
 11: ib. 278.
 12: ib. 280.

13: ib. 45.

14: ib. 275.

15: ib. 276.

16: ib. 277.

17: ib. 279.

18: ib. 41.

19: ib. 46, 47, 48, 49.

20: ib. 66, 73.

Connection of [the] Paper Money Question with the rest of [the] Manual
U.C. XVII, 74.

Population

U.C. XVII, 58.

ANALYTICAL VIEW [OR] SUMMARY SKETCH OF FINANCIAL RESOURCES

U.C. CLXVI, 34.

SUPPLY WITHOUT BURTHEN

Reprinted here from the first edition, 1795.

Calculation of the Produce

U.C. XX, 211, 212, 216, 217, 218, 223, 214, 219, 220, 221, 222, 224, 213,
219, 215.

Objections Answered

I: ib. 128, 122, 63, 162.

II: ib. 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175

III: ib. 123, 124, 125.

IV: ib. 160, 62, 161, 163, 164.

V: ib. 128, 126, 127, 129, 130, 131, 132, 133, 134, 135.

VI: ib. 153, 154, 155.

VII: ib. 156.

VIII: ib. 159.

IX: ib. 152.

X: ib. 137.

XI: ib. 145, 141, 142, 139, 140, 149, 150, 143, 146, 147, 148, 151, 144.

XII: ib. 157, 158.

XIII: ib. 138.

Of the Indirect and Remote Effects, etc.

U.C. XX, 205, 206, 207, 208, 209, 210, 189, 190, 191, 192, 193, 194, 195,
197, 198, 199, 200, 201, 204, 202, 204.

TAX WITH MONOPOLY

Reprinted from *The Works*, vol. II, pp. 599 and 600. (Bowring's text is reliable as it tallies with box CLXVI, 240-241, which in turn tallies with ib., 244-252.)

PROPOSAL FOR A MODE OF TAXATION, ETC.

ntroduction: U.C. CLXVI, 12, 13.

1: ib. 101-114.

2: ib. 115-120.

3: ib. 121-126.

4: ib. 134, 147, 148, 135, 136, 137, 138, 139, 140, 141, 142, 143.

5: ib. 127-133, 144-146.

6: ib. 149, 150.

7: ib. 151, 152.

Proposal for a Tax on Bankers

U.C. CLXVI, 214-236.

A PLAN FOR AUGMENTATION OF THE REVENUE, ETC.

Introduction: U.C. CLXVI, 51-53.

I: ib. 166-167.

II: ib. 58-63.

III: ib. 64-72.

IV: ib. 179.

V—A: ib. 186-188, 182-184, 198-201.

B: ib. 189-191, 194-197, 178.

C: ib. 192-193.

Concl. Obs.: ib. 176-177, 202-205, 171.

Limitations, etc.: ib. 161-164, 28.

Conclusion: ib. 169-170.

PROPOSAL FOR THE CIRCULATION OF A [NEW] SPECIES OF PAPER CURRENCY

I: U.C. II, 352-358.

II: ib. 331-350.

III: ib. 361-377.

IV—A: U.C. CLXVI, 73-79, 84, 86, 89.

B: ib. 80-81.

C: U.C. III, 287-289.

D: U.C. CLXVI, 82-83, 85, 87-88.

E: ib. 90-92.

F: U.C. III, 290-302 (excl. 292).

G: U.C. CLXVI, 93.

H: ib. 94-96.

I: ib. 97-100.

CIRCULATING ANNUITIES

Introduction: Chapters I and II reprinted according to Bowring's *Works*, vol. III, pp. 107, *et seq.* For the reason why this text was chosen, cf. introductory essay, vol. II, p. 49.

Ch. III: U.C. II, 79-83.

Ch. IV: ib. 84-92, 156-159.

Ch. V: ib. 160-182.

Ch. VI: ib. 184-197.

Ch. VII: ib. 198-203.

Ch. VIII: ib. 204-206.

Ch. IX: ib. 207-221.

Ch. X: ib. 222-226.

Ch. XI: ib. 227-239.

Ch. XII: ib. 240-254.

Ch. XIII: ib. 256-270.

Ch. XIV: ib. 271-283.

Ch. XV: ib. 284-294.

Ch. XVI: ib. 314-316.

Ch. XVII: ib. 302-308.

Recapitulation and Conclusion: ib. 323-328.

Annuity Notes and National Wealth

March 1800: U.C. I, 267-285.

Summer 1800: ib. 341-358, 369-377.

September 1800: ib. 185-198.

October 1800: ib. 656-662, 206-209, 10-14, 649-655, 17-21, 26-29, 22-24, 36-37, 25.

[Nicholas Vansittart's] Objections to the Annuity Note Plan with Answers

Brit. Mus. Collection Add. MSS 31235, 16-21.

Observations by Sir Frederick Morton Eden . . . on the Annuity Note Plan

Brit. Mus. Collection Add. MSS 31235, 36-86.

PAPER MISCHIEF [EXPOSED]

Preface: U.C. III, 89-97.

Introd.: ib. 98-102.

Amount, etc.: ib. 103-110, 131-133.

Exposition, etc.—

First head: ib. 111-121.

Second head: ib. 122-129.

Third head: ib. 130, 136.

Of the Money-hoarding System: ib. 138-147.

Remedies: ib. 134.

THE TRUE ALARM

Introduction: Geneva Collection, L, 46-56.

- Ch. 1: ib. 62-63.
- Ch. 2: ib. 64-67.
- Ch. 3: ib. 68-73.
- Ch. 4: ib. 74-83.
- Ch. 5: ib. 84-95.
- Ch. 6: ib. 100-103.
- Ch. 7: ib. 104-109.
- Ch. 8: ib. 110-113.
- Ch. 9: ib. 114-123.
- Ch. 10: ib. 124-127, 132-137, 130-131.
- Ch. 11: ib. 128-129.
- Ch. 12: ib. 60-61.
- Ch. 13: ib. 138, 186-190.
- Ch. 14: ib. 139-144.
- Ch. 15: ib. 178-181.
- Ch. 16: ib. 163-165.
- Ch. 17: ib. 155-162, 166, 168-174, 176-177.
- Ch. 18: ib. 147-148.
- Ch. 19: ib. 214-224 and 182-185 (the long footnote).
- Ch. 20: ib. 226-233, 246-249, 234-239, 252-265, 270-281, 292-296,
298-304.
- Ch. 21: ib. 347-348.
- Ch. 22: ib. 353-358, 361-371.
- Ch. 23: ib. 373-388.
- Ch. 24: ib. 389-411.
- Ch. 25: ib. 414-432.
- Supplement: ib. 339-346, 196-199, 192-195, 328-331, 282-284, 332-334,
322.

OF THE BALANCE OF TRADE

- Ch. I: Geneva Collection, LI, 72-77.
- Ch. II: ib. 78-81.
- Ch. III: ib. 82-87.
- Ch. IV: ib. 88-91.
- Ch. [V]: ib. 96-99.
- Ch. [VI]: ib. 104-107.
- Ch. [VII]: ib. 108-113.
- Ch. [VIII]: ib. 114-117.
- Ch. [IX]: ib. 130-131.
- Ch. [X]: ib. 134-139.

DEFENCE OF A MAXIMUM

- 1: U.C. III, 215, 216, 227-230, 235, 236, 217-220, 201, 202, 221-226, 237-241, 261, 262.
 2: ib. 173-187, 203-213, 191-200, 263, 188-190.
 3: ib. 242-260.
 4: ib. 279-281, 233, 234, 231, 232, 284.
 5: ib. 264-266, 274, 275, 267-273, 276, 282, 283, 277, 278.

INSTITUTE OF POLITICAL ECONOMY

- Introduction 1: U.C. XVII, 171, 172, 173, 175, 170, 174, 153, 178, 167, 168.
 2: ib. 143-152.
 The Science 1: U.C. XVII, 207, 237.
 2: ib. 153, 237, 238, 176, 235, 236.
 3: ib. 153, 224.
 4: ib. 260, 219.
 The Art I—1: U.C. XVII, 208, 242, 243, 221-227, 183, 228, 229, 186-188, 230, 189, 231-234.
 2: ib. 211-218, 244-250.
 3: ib. 251, 219, 255, 254, 256, 258, 192, 196, 329, 197, 193, 198, 194, 195, 179, 165, 336, 330, 331, 265, 263, 264, 266, 267, 200, 201, 157, 163, 202, 203, 199, 204, 206, 205, 269, 311, 268-274.
 II—1: ib. 153, 260.
 2: ib. 314, 315.
 III—1: ib. 154.
 2: ib. 240, 241, 282-284, 181, 286, 182, 287-292, 285, 185.
 3: ib. 293-305.
 Appendix: ib. 154, 159, 306-308.

OBSERVATIONS ON THE RESTRICTIVE AND PROHIBITORY COMMERCIAL SYSTEM
 Reprinted here from the first edition, 1821.

[THE PSYCHOLOGY OF ECONOMIC MAN]

- I: *A Comment on the Commentaries*, ed. Everett, 1928, p. 84.
 II: *Works* IX, pp. 5-6.
 III: *Works* I, pp. 207, 209; *A Table of the Springs of Action*, 1817, pp. 5, 7, 8.
 IV: *The Limits of Jurisprudence Defined*, ed. Everett, 1945, p. 154, footnote.
 V: *Works* IX, pp. 46, 41.
 VI: *Works* IX, p. 130.

- VII: *Works* II, pp. 477-478; *The Book of Fallacies*, 1824, pp. 372-375.
- VIII: *Works* II, pp. 197-198; *The Rationale of Reward*, 1825, p. 20.
- IX: *Works* I, p. 214; *A Table of the Springs of Action*, 1817, p. 20.
- X: *Works* IX, p. 330; *Constitutional Code*, 1830, p. 590.
- XI: *Works* II, p. 475; *The Book of Fallacies*, 1824, pp. 362-363.
- XII: *Works* VI, pp. 78-79, footnote.
- XIII: *Works* IX, pp. 102-103.
- XIV: *Works* I, p. 26; *An Introduction to the Principles of Morals and Legislation*, 1823, I, p. 92.
- XV: *Analysis of the Influence of Natural Religion on the Temporal Happiness of Mankind*, 1822, pp. 69-70.
- XVI: *Analysis of the Influence of Natural Religion on the Temporal Happiness of Mankind*, 1822, p. 101.
- XVII: *Works* II, p. 497.
- XVIII: *Works* IV, pp. 430-431; *Jeremy Bentham to his Fellow-Citizens of France on Houses of Peers and Senates*, 1830, pp. 18-19.
- XIX: *Works* IX, p. 61.
- XX: *Works* II, p. 482; *The Book of Fallacies*, 1824, pp. 392-393.
- XXI: *Works* VIII, p. 381; *Pauper Management Improved*, 1812, p. 56.
- XXII: *Works* I, p. 211; *A Table of the Springs of Action*, 1817, pp. 13-14.
- XXIII: *Works* I, pp. 90-91; *An Introduction to the Principles of Morals and Legislation*, 1823, II, pp. 31-32.
- XXIV: *Works* I, pp. 16-17; *An Introduction to the Principles of Morals and Legislation*, 1823, I, pp. 49-54.
- XXV: *Works* I, pp. 468-469; *The Rationale of Punishment*, 1830, pp. 254-255.
- XXVI: *Works* II, p. 28.
- XXVII: *Works* II, p. 156.
- XXVIII: *Works* II, p. 108.
- XXIX: *Works* IV, pp. 540-542; *Codification Proposal*, 1822, pp. 7-11.
- XXX: *Works* IX, pp. 14-15.
- XXXI: *Works* I, p. 438; *The Rationale of Punishment*, 1830, p. 157.
- XXXII: *Analysis of the Influence of Natural Religion on the Temporal Happiness of Mankind*, 1822, pp. 46-47.
- XXXIII: *Works* IV, p. 540; *Codification Proposal*, 1822, pp. 8-9.
- XXXIV: *Works* VIII, pp. 90-91; *Chrestomathia*, 1816-17, pp. 201-204, footnote.

APPENDIX II

SYSTEMATIC SURVEY OF THE SURVIVING BENTHAM MANUSCRIPTS

The following point-for-point account of the autograph material on economic matters is on the whole self-explanatory; only a few technical terms used in it need elucidation. A "brouillon" is, in Bentham's terminology, an outline of a text jotted down *before* composition; a sheet of "contents" gives a summary of the text *after* composition. Often Bentham elaborated a detailed and voluminous treatise on a subject that absorbed him and then found that it was far too long and overloaded to be printed as it stood. In such cases he produced abridged versions for publication, and his original text became for reference the "body of the work".

UNIVERSITY COLLEGE COLLECTION

(The Bentham papers)

BOX I

I A kind of inventory in Bowring's hand.

2-9 28. and 29. IX. 1800. These pages belong to the Annuity Note papers, and more specifically to the chapters on "Financial Advantages" and "War Loans". Bentham presents here "an imperfect sketch of what might have been the rate of profit on this score from the proposed measure", if it had been adopted in, say, 1799, "as compared with the rate of profit on the same score from an actually adopted measure of similar tendency, viz. the sale of Land Tax for stock". Just as did the sale of Land Tax, Bentham says, the issue of Annuity Notes would have raised the price of government stock, if the money flowing into the Treasury had been used for buying-in operations, and "by this rise . . . in the price of stock, the terms of the next war loan, and all other succeeding war loans", would have been "made better to government". But he finds that the Annuity Note scheme would have been more effective in this respect than the sale of the Land Tax proved to be. After a fairly full and well-documented calculation (which, however, defies compression) he comes to the conclusion that the government would have profited, on the launching of the next loan of £20,500,000, to the tune of £410,000, whereas the sale of the Land Tax had only yielded a "profit, in respect of the terms of the loan", of £205,000—i.e. half.

10-14 19. X. 1800 (text), 18. VIII., 1. X., 11. IX (footnote). Cf. vol. II, pp. 331-333.

15-16 19. X. 1800. Bentham animadverts here on the reasons which

had led him to the wrong idea concerning the relation of money and wealth which had dominated him during the early stages of the Annuity Note proposal. Capital, he had said to himself, is wealth; money is capital; *ergo*, etc. Again: all wealth is due to labour; labour is set in motion by money; *ergo*, etc. "All this, however, is but illusion." Cf. also the Introduction to vol. II, p. 111.

- 17-21 Cf. vol. II, pp. 336-338.
 22-24 Cf. vol. II, pp. 340-342.
 25 Cf. vol. II, p. 342 (footnote).
 26-29 19. X. 1800. Cf. vol. II, pp. 338-340.
 30 21. [?] X. 1800. "Not to go to the printers." Should the proposed Annuity Notes expel cash, i.e. coin, as well as paper money, this would be an additional advantage to the country. "Converted into bullion, and thence into plate, it would be so much added to the . . . real wealth of Britain, and thence of the whole commercial world."
 31 27. X. 1800. Belongs together with box III, 84, written on the same day. Cf. *ib.*
 32 27. X. 1800. Very similar in content to 15-16 above. Conceivably the first sketch of a preface to *Paper Mischief* [*Exposed*].
 33-35 Two passages which may belong either to *Paper Mischief* [*Exposed*], or to the pamphlet on *Circulating Annuities*, chapters XI or XIV. 33 is a string of empty words; 34-35 argue that paper money is subject to considerable fluctuations, and that consequently "the inconvenience that would result from a gradual and regulated diminution of it might, in comparison of those experienced fluctuations, be extremely slight".
 36-37 17. and 18. X. 1800. Cf. vol. II, p. 342.
 38-63 *Circulating Annuities*—"body of the work" [Ch. V]. "Miscellaneous effects of the Annuity Note paper at different periods of its existence."
 64-70 *Idem.* [Ch. VI.] "Miscellaneous effects continued. Period II. From the arrival of stocks at par to the extinction of the last portion of stock annuities by its conversion into note annuities."
 71-78 *Idem.* [Ch. VII.] "Miscellaneous effects continued. Period III. From the conversion of the last portion of stock into note annuities to the conversion of the last portion of old note annuities into new annuities at a reduced rate of interest."

These are fairly early drafts (a sheet of "contents", box III, 17, is dated 23. VI. 1800); their gist has been taken over into chapters III, IV, XI, XII, and XIII of the *Abstract or Compressed View*. Cf. vol. II, pp. 203 *et seq.* and the corresponding later pages. What Bentham tries to think out are above all the

79-87 consequences of the anticipated "expulsion" of Bank Notes, bankers' notes, and cash by the proposed Annuity Notes. May 1800. Summary dated 8. VII. 1800 (box III, 21). Should different issues of Annuity Notes come to co-exist in the market, e.g. Notes of the first issue at 3% and Notes of the second issue at 2 $\frac{3}{8}$ %, the earlier issues will develop a premium which is here discussed. Cf. vol. II, p. 259, footnote. No very deep theoretical insight emerges from this consideration, but the following passages on 85 and 86 are perhaps not altogether without interest:

"In a country where property and the fruit of industry and frugality is secure, setting aside the obstacles that may come to be opposed by the exigencies of government, in the natural course of things the rate of interest has a natural tendency to decrease: and to this decrease there are no limits. Government, by the extra demand which it is liable to have for present money in time of war, by the extra consumption and destruction resulting from that calamitous state, and by the extra rate of interest it finds itself obliged to give during the continuance of such demand, raises thereby, and sets the law, to the general rate of interest: and therefore, so long as the rate of interest given by government admits of no rise, neither can the general rate of interest admit of any encrease.

88-119 "But after the establishment of the proposed Annuity Note paper, the rate of interest on money borrowed by government need not be suffered to receive, nor therefore, it is to be presumed, will ever be suffered, to [receive an] encrease. The quantity of Annuity Note paper capable of being issued, and likely to be taken out in the way of issue, has, it has been shewn, no natural limit. By a fundamental law of the proposed measure, it receives a factitious limit by being restricted to the quantity proportioned to the quantity remaining of stock annuities, or of note annuities of a preceding issue. But towards this limit it will always be upon the advance, untill it reaches it: and so long as it is upon the advance, it will by the produce of it buy up within a short compass of time, in less than a year, whatever stock may have been created in return for money borrowed by government for the maintenance of a war in the compass of a year. All that it will do, will be to retard *pro tanto* the progress of the redemption of the paper of the preceding emission of which the issue has been closed."

Circulating Annuities—"body of the work" [Ch. IX. Financial advantages continued. Period] II. A summary (box III, 44) is dated 18. V. 1800.

- 120-145 Idem. [Ch. X.] Period III. A summary (box III, 15) is dated 19. V. 1800.
- 146-151 These pages, too, belong to the head of "financial advantages": "Advantage by stock annuities taken out of the market on the principle of the Land Tax selling plan." An early, somewhat longwinded, and consequently not very clear passage. Two ideas seem to emerge: 1. The Annuity Note scheme would diminish the quantity of stock in the market and thus drive up its price. 2. Though Annuity Notes would still, like stock annuities, constitute part and parcel of the national debt, they would not, in fact, press upon the Treasury. Circulating, as they do, they would not be presented for payment.
- 152-155 Similar in subject-matter to the immediately preceding papers. The words "consult only" on top of 152 prove that Bentham regarded this fragmentary draft as "superseded".
- 156-158 Once government stock is raised from 63 to par, and its interest reduced from £4 14s 2d to £3 per Cent, will it be as easy to sell it, or the Annuity Notes taking its place, as before? Bentham asserts that "there will remain an effectual demand for still the same quantity of annuity, and an additional sum of money ready to be given for it proportioned to the elevation experienced by the price".
- 159-163 "Superseded in good measure, but may be consulted." After the introduction of the Annuity Note currency, a war may break out and the government may be forced to raise money by the sale of fresh parcels of stock. What will happen then? For a long time, Bentham argues, stocks yielding 3% will be at par. Should the "borrowing period", however, be prolonged, they may conceivably go down to 98, 97 or 96, and then Annuity Notes will come out of their hoards and be exchanged for this new stock whose actual yield will be above 3%—the rate yielded by Annuity Notes. This influx of Annuity Notes into circulation will lead to an inflation which will have both favourable and unfavourable consequences for government. It will make it easier for government to borrow; and it will drive up prices so that government will have to pay more for the goods and services it needs. But the second (unfavourable) effect will show itself much later than the first, and so gain will prevail over loss.
- 164-169 10. IX. 1800. "Profit in respect of war loans." Yet another passage arguing that the Annuity Note scheme, by raising the price of government stock, would improve—"meliorate"—the terms of all future borrowing operations. Though of comparatively late date, Bentham does not seem to have intended to

print this version as 164 has the following note: "Substitute marginal content to text: and either omitt the explanations, or put them in form of notes."

- 170-179 *Circulating Annuities*—"body of the work" [Ch. XI]. "Financial advantages particularly regarding the existing war." A summary of this material and 180-184 (box III, 20) is dated 7. VII. 1800.
- 180-184 Idem. [Ch. XII.] "Financial advantages continued—Profit by saving on the supplies of future wars."
- 185-198 1. and 2. IX. 1800 (text), 13. IX. (footnote † on pp. 323-324). Cf. vol. II, pp. 319-325.
- 199-205 11. and 12. IX. 1800. The "unredeemed amount of the redeemable part of the national debt" is £444,058,587. Should the Annuity Note scheme not be accepted, its redemption will take 37 years, so that each year ca. £12,500,000 will be added to national capital. If, on the other hand, the Annuity Note scheme should come to be accepted and implemented, redemption would take place in 30 years; hence, on the average, £16,666,666 will then each year be added to national capital. "Remains profit by the measure on this score" £4,166,666 p.a. Bentham goes on to argue that, in the formation of capital, "acceleration" in point of time is as important as, nay indistinguishable from, "production".—As 199 is largely crossed out, and 200 and 201 are marked "Quere", it is not likely that these pages would ultimately have been printed, even though they are of a comparatively late date.
- 206-209 Oct. 1800. Cf. vol. II, pp. 329-331.
- 210-212 This is an early sketch of an "Introduction" to the Annuity Note proposal, laying the main emphasis on the fact that the new Notes, unlike stock, are to be easily transferable and of low nominal value so as to be within the reach of a large number of people.
- 213-226 *Circulating Annuities*—"body of the work"—"Introduction".
- 227-241 240 should come before 239. This is almost certainly the first sketch of an "Introduction" to the book or pamphlet on *Circulating Annuities*. We possess a summary of these pages (box III, 46) dated August 1799, and in their whole tenor as well as in some detail they recall the *Proposal for the Circulation of a [New] Species of Paper Currency* (vol. II, pp. 153 *et seq.*). On 229-232 Bentham speaks repeatedly of "£10 Annuity Notes" while his later drafts recommend £6 6s, and the latest £12 16s, as the standard unit. Characteristic of the early date is also the following passage on 239: "In so far as they [the proposed Annuity Notes] maintained themselves in the circulation

without diminishing the quantity of . . . other species of paper, they would constitute an addition to the mass of national wealth."

242 There is no page bearing this number.

243-244 244 should come before 243. The realisation of the Annuity Note scheme presupposes not only "the extent and solidity of public credit" in Great Britain and "the existing mass of government annuities, the produce and evidence of that credit", but also—the existence and efficiency of the Post Office.

245-250 "*Cur nondum?*" If there is anything in the Annuity Note idea, why has it not been suggested and tried out before? Bentham answers: 1. because in the past, e.g. in William III's time, public credit was not yet strong enough; and 2.—"it [simply] was not thought of".

251-254 23., 29., 30. VI. 1800. These pages are the beginning of a chapter on "Effects". "The institution of the proposed Annuity Note paper will be the *real* cause of a considerable addition to the mass of national wealth, and thence of a considerable reduction in the rate of interest; and the *apparent* cause of a still more considerable change in both those ways." Wars increase rather than decrease national well-being, at least in Britain, which is not the scene of physical devastation. "The reason of the extra or neat addition thus made by war to the mass of national wealth is that the whole of the money employed in the redemption of the debt . . . will go in addition to the mass of national wealth (and thence to the reduction of the rate of interest): whereas it is a part only, though certainly the most considerable part of the war expenditure that operated in diminution of the mass of national wealth."

255 A meaningless fragment.

256-300 "Miscellaneous effects of the proposed measure . . . Period I. From the opening of the issue to the arrival of 3 per Cent stock annuities at par."

For 267-285, cf. vol. II, pp. 301-308. The material should be read in the following order: 256-286, 295-300, 289-293, 287, 294, 288. A summary of 256-274 (box III, 11) is dated 22. III. 1800.

256-266: Inconclusive considerations concerning the length of this first period, and the expulsion of Bank and bankers' paper by the new Annuity Notes.

286: The measure will raise the price of stock annuities.

287: The rate of interest will be reduced, to the advantage of borrowers and detriment of lenders.

288: "It does not appear that, in regard to the facility of getting bills discounted, the measure would . . . be productive of any change, unless it were that of encreasing the facility."

289-293: Bankers will no longer keep cash but Annuity Notes, and thus pocket 3%. If Annuity Notes are deposited with them, who will get the 3%—the banker or the depositing customer? Bentham answers: we shall see. The point he tries to make is only this, that the bankers will not, on the whole, be losers.

294: raises the problem answered in 288 above, *q.v.*

295-300: As this is a comparatively interesting set of pages, it is here printed.

"The rate of interest is as the quantity of future money or moveable wealth in the shape of perpetual income to be had in exchange for a given quantity of present money or moveable wealth, money or moveable wealth in hand.

"Setting aside the demands for present money in exchange for future for war purposes, and even notwithstanding the occasional magnitude of that demand, the rate of interest in Europe in general, and in England in particular, has for these last two or three centuries been on the decrease. On the last security it has been gradually on the decline from 12 per Cent or more, to as low as 3 per Cent: in the Dutch Provinces as low (it has been said) as 2 per Cent*.

"Since the establishment of what is called the *Funding System*, i.e. the creation of government annuities (mostly perpetual, unless and until redeemed) payable by government out of the produce of taxes imposed for that purpose, the rate of interest given on these securities, has regulated and determined the general rate of interest: the rate of interest given by government, has determined the rate of interest given by individuals. The greater the quantity of this source of income [which] has been given by government for a given quantity of money in hand, the greater the quantity which it has been necessary for an individual to give for a mass to the same amount, under pain of not obtaining it.

"As government, by the encreased quantity of future income which it has given, in return for a given quantity of present wealth, at the time of its *exigencies*, that is at the time when its demand for present wealth has suddenly taken place, and so on during the continued and encreased quantity of that demand, has rendered it necessary for individuals, having occasion to purchase present money by future, to make an

*A. Smith [*Wealth of Nations*], I, 139 [i.e. book I, ch. IX.]

equal or proportionable addition to the quantity of future income which, for a present mass of wealth of a given magnitude, they have had occasion to give, so by redeeming and taking out of the market quantities of future income, and thence making such future income scarcer and less easy to be purchased, that is accordingly more valuable as compared with masses of present wealth, it will render it no longer necessary for individuals, having occasion to purchase present money by future, to give so much future money as they gave before, for a given mass of present money: on the other hand (what comes to the same thing), it will render it necessary for individuals having occasion to purchase future money by and with present money, to give, in the shape of present money, so much the higher a price for it.

"A government therefore, which has been in the habit of making a periodical addition to the quantity of future money in the market, has it in its power, upon the cessation of those exigencies which gave birth to that addition, to raise the price of future income as compared with present money, in other words, to lower the general rate of interest, in three different cases [and] in three different proportions:

"1. By making an absolute defalcation from the quantity of future income in the market.

"2. By ceasing to make any addition to that quantity.

"3. By reducing the amount of the additions which it has been in use to make.

"In appearance it may seem in this way to have effected, by its own power, an absolute reduction in the rate of interest: but in reality it can do little more than, at the end of a period of greater or less duration, to place that rate in the situation [in] which it would have been, had it not been for the quantity of securities for future income which itself had forced on to the market at a preceeding period. The utmost it can do, is by paying its own debts—by redeeming a portion of future income which it has created by and on the contracting of those debts.

"The mass of future income that has been poured into the market by government is so large, that, upon the taking of them out of the market, the reduction thus effected in the rate of interest will not only appear prodigious, but appear to have been compleatly the work of government: whereas all, or nearly all, that government can do in this way by the redemption of its own debts, of the masses of debt which, from time to time, it has itself contracted, is to bring back things to

the state they would have been [in], if no such debts ever had been contracted.

"If, then, it should ever happen that government, by the paying off of [its]¹ debts, shall have reduced the rate of interest, say, to $1\frac{1}{2}$ per Cent, it will follow that, had no such debts been ever contracted by government, the rate of interest would have been reduced at least as low as that pitch, by the accumulated savings of individuals.

"It might seem that, had no such debts been contracted during that period—had there been no such thing as *war*—none of that unproductive expence and absolute destruction which are among the effects of war, the rate of interest would have been still lower: since the quantity of present wealth saved up and accumulated would have been still greater, by the amount of the whole mass so destroyed or expended.

"But on the other hand, it may be observed—1. that, as to the *consumption* of war (meaning the consumption intentionally made of instruments of war, independently of the *destruction* unintentionally suffered), it does not by any means operate, as to the whole of it, in diminution of the mass of national wealth.

"Of the money or mass of wealth raised by taxes, and applied, part of it, in payment of the interest, part towards the discharge and repayment of the principal of the debt, it is not the whole that is by this means subtracted from the mass of national savings, but only a part, and that by much the smallest part: since of the quantity of wealth produced in any given year, it is only a part, and that considerably the smallest part, that, in the most frugal nation, can be saved up: the utmost amount of savings will still be inferior to what, on the score of necessities [?], food, fuel, and clothing alone, must be consumed. Destruction apart, the difference in point of expenditure between peace and war turns more upon the point of *quality* than of *quantity*: in war time, a great part of that consumption which otherwise would have been applied to the purpose of individual enjoyment, being applied to the purposes of national defence.

"2. Again, of the labour, £20,000,000 worth which, having been raised, or engaged to be raised, by taxes, present and future, for the carrying on of a year's war, is expended in the course of a year in the prosecution of the war, it is not the whole that has actually been consumed: from the whole of the value paid, as above, is to be deducted the amount of mercantile profit, say £15 per Cent, upon the sum representing

¹ [The MS reads "his".]

the expence of such articles as have been furnished by contractors and other manufacturers working on private account.

"3. Of the money taken from the amount of national savings in each year, and lent to government to be employed on the war expences of that year, a part may be supposed to have been deducted by the individual from the amount of the year's expenditure and added to the account of savings, by means of the premium given to frugality by the amount of the extra-interest paid by government for the money so borrowed by it. Just before the war, but a trifle more than 3 per Cent was to be made by the purchase of government annuities: in some years of the war, considerably above 6 per Cent has been to be made by such purchases. It must have happened in many instances, that a sum which would have been spent in the purchase of the instruments of present enjoyment, had no more than 3 per Cent been to be made by saving it, must have been saved up and laid up in the purchase of government annuities at a time when, instead of no more than 3 per Cent, upwards of 6 per Cent might thus be made. The rate of profit on stock remaining the same, the inducement to transfer a portion of moveable wealth from a trading concern to the purchase of stock annuities, i.e. to the purchase of a perpetual source of income in the shape of interest for the purchase-money, must have been proportionably encreased."

301-306 May 1800. Adam Smith asserts "that there is a fixed maximum in regard to the proportion of paper money to cash, beyond which it is incapable of being raised by any accession to the quantity of paper". Bentham disagrees: "There are two causes that bring upon a bank a demand for cash in exchange for its paper [and thus determine the size of its cash holdings]: doubts with regard to its solvency, and the demand of change, i.e. for portions of money of less magnitude." Should notes be issued which, like the proposed Annuity Notes, are for very small sums, either cause would be practically inoperative: small notes need no changing, and the risk of losing on them is, in proportion to their face value, so small that it is difficult to imagine that they will ever cause a run.

307-315 307-310 autograph, 311-315 in a secretary's hand. Like the immediately preceding pages a polemic against Adam Smith, covering the same subject and the same ground.

316-328 *Circulating Annuities*—"Miscellaneous Effects continued. Period III. From the conversion of the last portion of stock into note annuities to the reduction of the rate of interest on

note annuities." This passage, which quotes the value of 3 per Cent Consols on 17. I. 1800, was later replaced by box I, 71-78. The reason why it was given up is not difficult to find. The chapter starts with the words: "At the very commencement of this period, the price of note annuities can scarce fail of experiencing a very rapid rise" because they will be scarce; but point 14 states: "A circumstance that will operate, and operate in a very powerful way, to keep down the price of the paper of the first emission, is the apprehension of its being paid off. So powerful may be the operation of this cause as even to prevent the rise altogether." In the later version (box I, 71-78), this inconsistency is removed. 316 bears the note "mostly employed", indicating that I, 71-78 were formulated on the basis of 316-328.

- 329-334 The beginning of a chapter on "effects of the proposed measure on the general amount of the national wealth". Bentham here still claims that, supposing Annuity Notes to be created, "the wealth thus flowing in, fictitious as it may [be] termed and thought to be, we shall find to be productive of equal effects, sum for sum, as so much real wealth"—or, at least, "as so much hard cash". He then goes on to assert that "whatever sum comes to be received by the several persons, sellers of stock . . . may justly be considered as so much added to what would otherwise have been the mass of existing national wealth". A calculation of that sum is then attempted.
- 335-336 The Annuity Note scheme would raise government stock to par "even during the continuance of the war".
- 337 and 339 18. VIII. 1800. Annuity Notes will, in principle, act like other money: but in practice they will not, because they will be hoarded as soon as government stock has risen to par and thus does not yield a higher rate of interest.
- 338 A stray sheet arguing that "[the] rate of profit on stock is lowered as the ratio of the quantity of stock in a country to that of the quantity of income . . . is encreased; [that the] rate of interest is lowered as the rate of profit is lowered"; and that consequently, if you "make on the sudden a large addition . . . to the mass of stock or capital in a country, the rate of interest is lowered to a certain amount", excepting in so far as "by the addition of that additional mass of stock the mass of income receives . . . a proportionable encrease".
- 340 I. IX. 1800. A question mark is written over this page. Once again Bentham expresses the conviction that additional paper money will act on national wealth "as if the paper were so much gold".

- 341-358 Cf. vol. II, pp. 309-315.
- 359-363 The introduction of the Annuity Note currency may either 1. reduce the total national currency, or 2. leave it unchanged, or 3. increase it "by an amount not greater than that of the quantity necessary to call forth into action the quantum of the national capacity with regard to labour remaining till then unemployed"; or, finally, 4. increase it by an amount in excess of this. Case 1 is hardly conceivable; cases 2 and 4 are possible, but not probable; case 3 is "the only case likely to be realised". The passage contains no argument in support of this assertion.
- 364-368 An early admission that the Annuity Note currency may conceivably cause an inflation—but only in war-time when 5% Exchequer Bills are to be had in large quantities, so that investors will not buy up 3% Annuity Notes and therefore practically all Annuity Notes will flow into the circulation. As soon as peace returns, they will at once begin to be hoarded and thus no longer burden and inflate the monetary circulation.
- 369-377 Cf. vol. II, pp. 315-319.
- 378-382 A very early and incomplete set of pages recalling, as to content, 159-163 above.
- 383 The beginning of a chapter "Extent of the proposed [Annuity Note] currency." Very early. The first words: "Great are the results I have to announce", set the tone of this fragment which is one of braggadocio.
- 384-409 6. XII. [17] 99. Summarised on 19. XII. 1799 (box III, 39). "Extent to which the proposed [Annuity Note] plan is capable of being pursued, and to which it may be eligible to pursue it: and of the effects which the money thus flowing in may be productive of in its course." As the date shows, a very early chapter which contains, in germ, many of the ideas later more fully elaborated, especially *re* financial advantages.
- 410-424 Of similar date as 384-409 and carrying on its argument.
- 425-439 Another chapter *re* extent like 384-409, but even earlier. A summary is dated 13-23. XI. 1799 (box III, 35). The subject under consideration is the effect of the Annuity Note currency on the metallic circulation in the country. There is some criticism of Adam Smith, as under 301-315 above; and then Bentham discusses, as so often, the influence of newly introduced means of circulation on the volume of national wealth. He takes here exactly the same line as in the passage printed in vol. I, pp. 269-271: all depends on whether there is any "unemployed capacity in regard to labour". Hume is mentioned, in addition to Adam Smith, on 429 and 438.

- 440-482 Yet another very early sequence of pages concerning "extent" like the foregoing series of papers. "Contents" are dated 12. XI. 1799 (box III, 34). The main topic is the "expulsion" of Bank and bankers' notes and its consequences. Bentham assumes that a gold reserve in the country (perhaps to be kept in the Exchequer) will remain essential even after the establishment of the Annuity Note currency because a sudden crisis of confidence (for instance in connection with an invasion or rebellion) might conceivably at some future date create a temporary demand, on the part of the public, for hard cash, but such a gold reserve would not have to be as large as that kept at the moment by the Bank of England.—450-452 are interesting because they touch upon the anticipated social consequences of the Annuity Notes scheme. The bankers would lose because their paper money would disappear: the industrious poor would gain because their petty savings would cease to be "barren" and begin to bring in some interest. Bentham implies that this latter gain would decidedly compensate for the before-mentioned "damage . . . confined [as it would be] to men of opulence".
- 483 Annuity Notes will flow into the circulation with the same speed with which other species of paper money will flow out, so that "no vacuum . . . will ever take place".
- 484-485 Cover the same ground as the next following pages.
- 486-491 The correct sequence is: 486, 489-491, 487. A certain amount of hard cash will remain in the country in spite of the Annuity Note currency because Annuity Notes will only be sold against cash, and all interest-payments will be made in cash.
- 492-497 26. XII. 1799. This is a first view of the disadvantages that might result from the Annuity Note scheme. Loss would be caused to 1. the Bank of England, 2. the country bankers, 3. bankers in general, 4. "such individuals as are at present in the habit of borrowing of bankers," and 5. "moneyed men" (through the reduction of the rate of interest). Bentham expresses the opinion that the last effect would be the most serious, even though he seems here to assume that the Bank and bankers "will find themselves debarred from the exercise of this trade, either in part, or, what seems most probable, altogether".
- 498-502 If the banking trade were "destroyed or reduced", the bankers would have to "betake themselves" to other branches of business. But that they can easily do.
- 503-504 Bentham is not sure that it would be necessary to pay compensation to the Bank of England, but if so, this would not be

difficult. The loss to the Bank would be slight and the government in funds.

505-513 "By the expulsion of the Bank of England paper the circulating capital of that corporation will be lessened to that amount [and so] the faculty it at present possesses of supplying government with large sums would be reduced . . . if not taken away, and a resource of which government has been so much in the habit of availing itself . . . will thus be diminished, if not cut off altogether." Bentham allows that this is a "disadvantageous result" of the Annuity Note scheme to be anticipated, but he has a remedy ready. "The place of that resource . . . might, under favour of the proposed measure, be supplied . . . by what might be called a Cash Fund . . . a mass of ready money which . . . might be in the shape of hard cash, not to be employed but in such cases in which the resource of borrowing from the Bank of England is employed at present and under the declared condition of being by the earliest opportunity replaced by Parliament." This Cash Fund might also supply the place of a gold reserve as suggested in 440-482 above, *q.v.*

514-520 Identical in subject-matter and drift with 486-491 above.
521-544 Materials for a projected chapter on "Objections" to the Annuity Note scheme. Mostly early: only 540-541, 544 and 542 are dated (4. IX. and 12. IX. 1800). The arguments discussed are: no such paper has yet been tried out (521-523); small notes have been found inconvenient in the past (524); all sinking fund arrangements are bad because they presuppose taxes, and taxes diminish capital, thus damaging the national economy (525-527, 530-532; "this objection was taken from a new work of Pole Carew's against Pitt's Sinking Fund Plan"); the plan is too good to be true (528); *cur nondum* (529); "Supposing this paper to undergo a discount?" Then government should start buying-in operations to steady the price (533-536); 543 shows no completed argument; 537-539 seem to have been destined to become the first introductory paragraphs of this chapter; 540-542 and 544 are probably the (very scrappy and unfinished) sketch of a chapter "Objections answered", not for the "body of the work", as the other papers in this bundle, but for the *Abstract or Compressed View*.

545-603 *Circulating Annuities*—Rejecta. All these are drafts which show Bentham still in uncertainty about his plan and seeking tentatively for more concrete outlines of the Annuity Note idea. Here is an indication of the subjects mooted: 545 and 546 (probability of the proposed notes' currency); 547 and 548 (every man his own banker); 549-555 (on the most eligible

unit); 556-576 (on the steadiness of the Annuity Notes' value); 577-586 (the question of interest); 587 (government should not accept Annuity Notes at revenue offices); 588 and 589 (fragmentary; "every man a frugality bank"). 590-600 (subscription or not, to launch the first issue? B. decides against); 601-603 ("outset terms": here subscription is favoured).

- 604-606, "Contents" (604, 605, 608) and a "brouillon" (606) of *Circulating Annuities*.
 608
 607, 27. X. 1800 and 23. I. 1801. "Brouillons" of *Paper Mischief*
 609-616 [*Exposed*].
 617-620 17. VI. 1800 and 13. VI. 1801. "Brouillons" of *The True Alarm*, 619 and 620 dealing with the balance of trade.
 621-624 16. and 18. III. 1801. *The True Alarm*, first draft version of the preface, written right at the beginning of Bentham's work on this intended pamphlet. Passages are quoted in the introduction to the *Defence of Usury* (cf. vol. I, p. 27) and to *The True Alarm* (cf. vol. III, p. 10 *et seq.*).
 625-626 22. IX. 1801. A stray passage from *The True Alarm*, headed "Pecuniary qualifications in regard to offices". The depreciation of money leads to a definite constitutional change by lowering the pecuniary qualifications with regard to public offices. Thus the Bank of England and the other bankers have unwittingly initiated an "advance in the career of parliamentary reform: by doing what depended upon them towards obliterating the aristocratical and tyrannical distinction, under which the constitution has, it is said, been languishing, and the prosperity of the country declining, ever since the days of Henry the Sixth".

The passage has no interest for the economist, but it throws light on Bentham's political opinions at the time, and is also an attractive example of his style at its best.

- 627-636 *Circulating Annuities*—Collectanea. Various collected items which Bentham hoped would be helpful in elaborating the Annuity Note idea. 627 is dated 28. IX. 1799 (Stamp and Post Office Agents' pay); 628 (account of the amount of Bank of England notes in circulation 1797-1800); 629 (a list of statutes on currency); 630 (debt in Exchequer Bills on 5. I. 1800); 631 (list of prices of clothing for the poor); 632 (taxes and import duties on spirits); 633 (text of an Irish Debenture); 634 and 635 (various irrelevant scraps); 636 (Jeremy Bentham to Arthur Young and Young's answer [copy]. 13. VI. 1801. Bentham wants to know "what may be regarded as the annual average value of the gross produce in

the form of a per Centage for every £100 laid out in the improvement [a] of waste land (land not yet in culture); . . . [b] land already in culture . . . [c] land already in culture, but on the supposition of the capitals being employed on the most skilful principles yet known". Young's answer to [a]—30s an acre; [b]—from 50s to 60s; [c]—from £3 10s to £4.

637 5. XI. 1800. Small Notes Acts (probably studied in connection with *Paper Mischief* [*Exposed*]).

638 "The rate of interest (i.e. the quantity expressive of the standard rate of interest on the several species of security in a nation) is inversely in the ratio of stock to income: i.e. as the aggregate amount of the whole quantity of stock existing at the end of the year capable of being employed in the shape of productive capital (fixed included as well as circulating) in the production of income, to the mass of income produced in the course of the year."

639-648 The main theme of these papers is expressed on 645 as follows: "In a country like Great Britain, exempt by situation from being the seat of war, war, under the funding system, coupled with the system of assured redemption, is in its effects favourable, and that in a high degree, to the encrease of national wealth" because "the addition made to the aggregate of national capital brought into existence by the redemption of the debt is greater than the defalcation made from it by the expenditure". 645, 646, 639, 640 (in this order) are one set of pages belonging together and bear the date 22. VII. 1800; the rest is undated and manifestly earlier though identical in argument.

649-655 15. X. 1800 (text), 17. X. (footnote * on 333-4). Cf. vol. II, pp. 333-336.

656-662 10. and 13. X. 1800. Cf. vol. II, pp. 325-329.

663-666 A few scrappy paragraphs concerning "financial advantages"; all crossed out.

667-702 *Circulating Annuities*—"Currency and steadiness of the proposed annuities, or, for short, 'Currency sure'." An early draft of the chapter "Grounds of Expectation", etc. (cf. box II, 541-585). On 673 the standard note is spoken of as a "six guinea Annuity Note" which proves that Bentham had not yet fully developed his plan when this was written. The summary of these pages (III, 41) is not dated.

703-707 *Circulating Annuities*—"body of the work"—"Ch. III. Comparative View: Points of coincidence and contrast between the proposed paper and other government securities."

708-709 A few scrappy paragraphs headed "Parallel [i.e. comparative

view] or Grounds [of expectation],” all crossed out. Cf. 703-707 above, and box II, 541-585, below.

710 A footnote to 718.

711-718 An early draft concerning the “political advantages” expected to follow upon the introduction of the Annuity Note currency in Great Britain (711-713), Ireland (714) and India (715). Foreigners, too, may wish to buy and use Annuity Notes, and thus come to be tied to Great Britain.

719-722 720 should be read after 722. Annuity Notes would make it possible for small investors to earn compound interest. (This is a stylistically rather attractive passage.) A “pleasantry” of Montesquieu’s is alluded to on 720.

723-724 “Another advantage attendant on this species of property is the capacity of being pledged.” Bentham then goes on to develop the “Frugality Bank” idea and mentions the Globe Insurance Company, but the manuscript breaks off before getting very far.

725-728 “In the list of the beneficial effects derivable from the institution [of the Annuity Note currency] may be inserted that of affording additional security for the correct exercise of trusts.”

729 Probably intended as the beginning of a chapter on “Advantages”.

730-734 “The proposed Annuity Note paper possesses the solidity of stock annuities, the steadiness of Bank paper, and the capacity of answering a double purpose, that of income and capital, at pleasure, which is not to be found in either.”

735 Possibly a continuation of 729, *q.v.*

736-739 A brief summary survey of “the accomodation that in different shapes will be afforded to individuals considered as holders of the proposed [Annuity Note] paper”.

BOX II

1-12 15. IV. 1818. Cf. vol. II, pp. 67-73.

13-14 Continue 1-12 but contain no more than an attack on “those seats of highest and most irresponsible power, the Ecclesiastical Establishment and the Judicial d[itt]o”.

15-17 Cf. the introductory essay to *Circulating Annuities*, vol. II, p. 63, footnote. The draft is dated 4. VII. 1800.

18-21 These pages, which apologise for the voluminousness of the book on *Circulating Annuities*, i.e., manifestly, of the “body of the work”, were destined either for the preface or for the conclusion of the text.

22-23 Cf. the introduction to vol. II, p. 29, footnote 2.

24-26 23. IX. 1801. Draft of a letter to the Royal Society asking that

the Society should publish Bentham's *Alarm* papers, or part of them, in the same way as they had Sir George Shuckburgh Evelyn's essay on prices. Cf. vol. II, p. 440, footnote.

- 27-29 "[*Circulating Annuities*] Ch. I. Arrangement of the matter of this Essay." Yet another passage destined for the beginning of this projected book. Date uncertain, but probably early.
- 30-40 *Circulating Annuities*. This material is very probably the second draft of the introductory chapter (see above under box I, 227-241). The corresponding "contents" (box III, 36) are dated 18. XI. 1799. A marginal note to them says: "In the most part not to stand." Since the text starts several possible objections to the plan without answering them at once, the material is not very interesting.
- 41 Empty.
- 42 In a copyist's hand—Contents.
- 43-48 28. VII. 1800. A very mature, probably the penultimate, version of the "Introduction" to the *Abstract or Compressed View* as printed in vol. II, pp. 205-208, but making more of the anticipated "addition to national wealth".
- 49 The title page as printed in vol. II, p. 203.
- 50 Another version of the title page to the *Abstract or Compressed View*, interesting because of the following passage: "Submitted to Mr. Dundas principally with a view to the introduction of the plan to British India."
- 51-77 Together with 378-387 below, a version of the "Plan" as printed in vol. II, pp. 208-223. Almost identical with the final, i.e. printed version, it seems to have been destined for the "body of the work".
- 78 A cancelled page.
- 79-83 16. VIII. 1800. Cf. vol. II, pp. 225-227.
- 84-92 16. VIII.—6. IX. 1800. Cf. vol. II, pp. 227-233.
- 93-94 Tables exhibiting the "financial advantage" arising from the buying in of stock annuities on the basis of the proceeds of the newly issued note annuities. Partly in the hand of an amanuensis, and, curiously, dated 1802 (?).
- 95 Title of Table I.
- 96-97 Almost identical with "Notes to Table I" as printed in vol. II, pp. 223-224.
- 98-99, 101 Almost identical with "Notes to Table II" as printed in vol. II at the back of Table I.
- 100 "Profit in respect of Exchequer Bills." A stray sheet belonging to the "body of the work", partly crossed out. "What is cancelled has been employed in *Abstract*."

- 102-103 The Annuity Note.
- 104-135 *Circulating Annuities*—"body of the work"—explanatory note to the proposed Annuity Note.
- 136-151 *Circulating Annuities*—"Elucidations relative to the proposed form of a proposed Annuity Note." The field covered is on the whole the same as that covered by box II, 104-135 immediately above, but the material is undoubtedly of an earlier date. The standard note is given as £6 6s and the daily interest correspondingly as half a farthing, while Bentham in the end decided for a £12 16s standard, with a daily interest of a farthing. The numbers of the different notes refer to an earlier sketch of the proposed Annuity Note which seems to have been lost. On 144 the Auditor of the Exchequer is given as Grenville.
- 152-155 In Bowring's hand.
- 156-159 Cf. vol. II, pp. 233-235.
- 160-182 "Contents" of these pages are dated 15. V. 1800 (box III, 43). Cf. vol. II, pp. 235-245.
- 183 *Circulating Annuities*. A few short paragraphs *re* "profit by difference between half-yearly and yearly interest". These passages are not without interest as they close a gap which Bentham left in his *Abstract or Compressed View*. At the end of chapter V (cf. vol. II, p. 245) he refers to this "head of profit", but postpones discussion of it to the end of chapter VI. Yet at the end of chapter VI (l.c., p. 250) there is no mention of it, probably because Bentham, as he says, was inclined "not to assume this head of profit" at all. This page, destined for the "body of the work", supplies what Bentham promised to insert but forgot or decided to omit. Here is the text: "This branch of profit will be at its maximum at the close of this [second] period. For the profit is a rateable profit, so much a year per million of capital, viz. £225: and the quantity of Annuity Note paper being at the time in question at its maximum, therefore so will be the sum total of profit on this score.
- "At this time suppose the quantity of redeemable annuities to be reduced to four hundred million, all of it now in the shape of note annuities. £225 multiplied by 400 gives for the total of annual profit on this score £90,000.
- "But from thenceforward, as the burthen of national debt is rendered lighter and lighter by the operation of the several Sinking Funds, so of course will the amount of this as well as of every other rateable alleviation of that burthen be less and less considerable."

- 184-197 Most sheets dated 23. and 24. VIII. 1800. Cf. vol. II, pp. 245-250.
- 198-203 Two sheets dated 26. VIII. 1800. Cf. vol. II, pp. 251-253.
- 204-206 One sheet dated 30. VIII. 1800. Cf. vol. II, pp. 253-255.
- 207-221 One sheet dated 16. IX. 1800. Cf. vol. II, pp. 255-261.
- 222-226 22. and 26. IX. 1800. Cf. vol. II, pp. 261-263.
- 227-239 One sheet dated 11. IX. 1800. Cf. vol. II, pp. 263-268.
- 240-254 Two sheets dated 3. X. 1800. Cf. vol. II, pp. 268-275.
- 255 There is no page numbered 255.
- 256-270 2. IX.-9. X. 1800. Cf. vol. II, pp. 275-282.
- 271-283 One sheet dated 19. X. 1800. Cf. vol. II, pp. 282-287.
- 284-294 23. IX.-12. X. 1800. Cf. vol. II, pp. 287-293.
- 295-301 31. VIII-10. X. 1800. Almost identical with 314-316 below, *q.v.*
- 302-308 1. IX. and 16. X. 1800 and 4. I. 1801. Cf. vol. II, pp. 296-298.
- 309-312 Duplicates.
- 313 Empty.
- 314-316 Cf. vol. II, pp. 293-295.
- 317-318 *Re* "political advantages" to be expected from the Annuity Note scheme. It will attach the small saver to the government. "Where the treasure is, there will the heart be also."
- 319-322 31. VIII. 1800. *Circulating Annuities*. "Financial advantages recapitulated." Probably destined for *Abstract or Compressed View*. Fragmentary.
- 323-328 Two sheets dated 2. and 3. IX. 1800. Cf. vol. II, pp. 298-300.
- 329-330 In Bowring's hand.
- 331-350 Cf. vol. II, pp. 158-169.
- 351 Empty. Marginal notes refer to "loss upon Navy Bills".
- 352-358 Cf. vol. II, pp. 155-158.
- 359-360 A stray passage praising the sovereign's "monopoly of the coinage". "Planted in force", it "has taken root in usage" and "is equally rooted in utility".
- 361-377 Cf. vol. II, pp. 169-177.
- 378-387 See above *sub* 51-77.
- 388-486 (469 seems to follow 464 and 485-486 seem to come before 470.) *Circulating Annuities*—"body of the work". Notes to the text 51-77 and 378-387 above, roughly corresponding to, but very much fuller than, the notes printed in vol. II, pp. 209-222.
- 490-491 431 *et seq.* seem to correspond to the "contents" box III, 40, dated 13. I. 1800.
- 487-489 4. VIII. 1800. One more passage arguing that "what is employed in the redemption of debt is so much added to the mass of national capital, for it is so much put into the hands of capitalists". Bentham estimates that of the total national income $\frac{7}{8}$ th is spent and $\frac{1}{8}$ th saved.

- 490-491 See *sub* 388-486 above.
- 492-504 More notes of the same kind as 388-486 and 490-491, but this set is not quite complete. The text seems to be summarised in the "contents" box III, 33, dated 11. XI. 1799.
- 505-528 *Circulating Annuities*. Partly identical with box II, 541-585 (*q.v.*) and obviously an improvement on box I, 667-702, this is an incomplete draft of the chapter "Grounds of expectation, etc." on a plan different from the one ultimately adopted, especially in so far as the enumeration of the seven "classes of persons that present themselves as natural customers" for Annuity Notes is given early in the chapter.
- 529-540 22. II. 1800. A note dated 27. VII. 1800 reads: "This may still be consulted though not employed. The case of Exchequer Bills is here particularly considered." 534 should be read before 533; 537 should be inserted before "5." on 536. Annuity Notes would not, like government stock and Exchequer Bills, depreciate.
- 541-585 *Circulating Annuities*—"body of the work"—[Ch. IV.] "Grounds of expectation with regard to the circulation of the proposed paper." The corresponding "contents" are dated 27. and 28. VII. 1800 (box I, 608, and box III, 45).
- 586-598 "Contents" are dated 23. X. 1799 (box III, 31). Bentham argues that his proposed Annuity Notes would be "depreciation-proof" because the promise they convey, the payment of interest, is easy to fulfil; and because, unlike stock annuities, they are never forced into the market. A chain of passages which are stylistically attractive.
- 599-610 Sketches of forms to be used by the Post Office for the transaction of Annuity Note business. E.g. 599: "Form for an application to a postmaster for an Annuity Note by a person desirous of purchasing the same."
- 611-624, 629 A sketch of the regulations concerning the "mode of receiving dividends," i.e. interest, on Annuity Notes. These pages are highly characteristic of Bentham the inventor. He discusses every technical detail of the transaction and ends by asserting that "it may be a perfect piece of clock-work", performable, in part, even by "women and children—the deaf and dumb—and the blind".
- 625-628 In the same vein as the preceding, but concerned with the *sale* of Annuity Notes.
- 630 Looks like the closing passage of this set of papers (611-629) on administrative machinery.
- 631-632 These two pages consider an administrative detail: what is to happen if a postmaster is faced with a demand for

Annuity Notes exceeding the supply that can be entrusted to him?

- 633-642 More concerning the mechanism of administration. Similar in content to 625-628, but in form reminiscent rather of 388-486 above. On 640 occurs the following interesting passage: "That a homily to be read in churches be composed by the authority and under the direction of the persons by whom forms of prayer for particular occasions are composed, recommending to the labouring classes the acquisition of Annuity Notes by shewing the advantages that may be derived from this species of property as well in a moral as in an economical point of view by industrious persons to themselves and their families, by laying up a provision against sickness, accidents and old age, to the encouragement of sobriety and frugality, and the proportionable discouragement of drunkenness and every other species of dissipation and extravagance."
- 643-649 Read in the following order: 647-649, 643-644, 645-646. Early materials concerning the part to be played by the Post Office in the Annuity Note business.
- 650-659 650 is a stray passage *re* "bespoken [Annuity] Notes"; 658 is blank. Considerations concerning the fee to be paid to the postmasters in connection with their function of selling Annuity Notes.
- 660-665 Deal with the problem of forgery.
- 666-668 "Observations respecting the most eligible course to be taken for the paying off of Annuity Notes." "The only eligible mode seems to be by lot."
- 669-671 A duplicate of chapter XVI of the *Abstract or Compressed View* as printed in vol. II, pp. 293-295.

BOX III

1-63

This is a bundle of very preliminary sketches mostly concerning the Annuity Note project. It can be divided into three sets of papers: 1. "brouillons" of *Circulating Annuities* (1-6, 10, 25, 29, 37 (*re* "objections"), 47, 48, 62); 2. "contents" of *Circulating Annuities*, both of the "body of the work" (7, 8, 11-13, 15, 17, 20, 21, 27, 31-36, 38-41, 43-46, 58-61) and the *Abstract or Compressed View* (26, 49-57). The former, partly dated, were mentioned in the survey of the materials of boxes I and II above (cf. e.g. *sub* I, 79-87); the latter have helped to date some of the chapters of the *Abstract or Compressed View*, giving us *termini ad quem*, because they themselves are dated, whereas the pages which they summarise are either not dated at all, or not dated in Bentham's own handwriting, or dated in such

a way as to leave us wondering whether the date given is the date of composition or that of revision. Here is the detail: 5. IX. 1800—"Plan, Form, Parallel" (i.e. chapters I-III, vol. II, pp. 208-227); 7. IX. 1800—"Grounds" and "Financial Advantages Period I, II, III" (chapters IV-VII, vol. II, pp. 227-253); 13. IX. 1800—"Financial Advantages Period IV" (chapter VIII, vol. II, pp. 253-255); 20. and 21. IX. 1800—"Concluding Period" (chapter IX, vol. II, pp. 255-261); 29. IX. 1800—"Pelham's Reduction" (chapter XV, vol. II, pp. 287-293); 2. and 4. X. 1800—"Commercial Security" (Chapter XII, vol. II, pp. 268-275). The "contents" of chapters X, XIII, XVI and XVII of the *Abstract* are not dated. Of the "contents" of the "body of the work" the most important are 27 ("Addition to Wealth"—14. X. 1800) and 58 ("Rise of Prices"—19. X. 1800) corresponding to the text printed in vol. II, pp. 325-342.

Apart from these materials, the present dossier also contains 3. some miscellaneous matter (9, 14, 16, 18, 19, 22, 23, 24, 28, 30, 63). 18, 19, 22 and 23 are "brouillons" preparing 83 below, *q.v.*; 28 (6. XII. 1801) is an Alarm "brouillon". 30 is a sheet belonging to *Circulating Annuities*, "body of the work": the "circulability" of paper money is the greater, the more debased the coin of a country; the rest are statistics and informations of various sorts—what Bentham would have called "collectanea".

64-72 Identical with 81-82. See below.

73-78 Material connected with 81-82 below, but labelled "super-seded".

79 This is the "brouillon" to 64-72 or 81-82.

80 A spoilt copy of 82.

81-82 A clean copy, in a secretary's hand, of 64-72. This is the material contained in the British Museum Collection, Add. MSS 31235, 22-35. As it was the British Museum copy which Bentham sent to the financial advisers to the government (cf. introductory essay to vol. II, p. 44), it is the latter version from which a critical edition has to print. Cf., therefore, below, *sub* British Museum Collection.

83 22. X. 1800. Cf. vol. II, p. 48. The following excerpts from this "brouillon" give some idea of the work which Bentham intended to write.

"Title: National Prospects or a Picture of Futurity.

"I. Natural progress.

"II. Room for improvement.

1. By averting evil; 2. by producing good.

"Topics: 1. Quantum of wealth not pecuniary, capital; 2. income; 3. population; 4. rent of land; 5. profits of stock; 6. rate of interest; 7. quantum of money metallic; 8. quantum of money paper; 9. prices of labour and goods collectively; 10. prices of goods separately and comparatively; 11. price of land in number of years' purchase; 12. price of stocks; 13. price of life annuities; 14. interest in joint stock shares and in ground works; 15. ditto in manufactures and trades; 16. price of goods of unchangeable value, ex. gr. provisions &c.; 17. ditto of fancy value, ex. gr. fine clothes; 18. division of wealth; proportion as between fortunes."

[Here follows an enumeration of the ends in view usually adduced by Bentham, i.e. subsistence, security, opulence, equality, "i.e. maximum of opulence of the lower classes", liberty.]

"The higher the wages of labour, the better consistent with national security, i.e. the continuance of that very blessing.

"Impossibility of raising the wages of ordinary labour beyond mere subsistence.

"Grand source of error—the considering the opulent state as the standard, in comparison of which the condition of the labouring classes is a *decline*—whereas the true standard is the savage state, in comparison of which the state of the labouring classes is an *elevation*.

"What can and what can not be done in favour of equality, i.e. towards meliorating the condition of the lower orders.

"I. Impossibilia. Raising their condition above what is sufficient for bare subsistence to a family of the average size.

"II. Possibilia et Facienda.

1. Giving security to that measure of subsistence. 2. Security as against injustice, by giving accessible justice.

"Efficient cause of accumulation—Propensity to hoard protected by the laws and customs that produce security as to property.

"Progress of this propensity as deduced from historical facts.

"Insufficiency of the general propensity to accumulation to ensure a sufficiency of the principal subsistence for man, i.e. corn. Necessity of the interference of government for that purpose.

"Exertion of government in the view of augmenting opulence.

"How far *inefficacious*: viz. so far as concerns the directing capital and labour to particular branches of production.

"How far *efficacious*: viz. so far as concerns the encrease of capital: by forcing *savings* from pleasurable expenditure and

applying the amount in the shape of capital. Egyptian pyramids. Cathedrals.

“Disturbance given to the natural progress.

“I. By war in respect of particular destruction.

“II. By war in respect of taxation, a. on expenditure, b. on capital, c. on both together, i.e. on income.

1. On the non-funding system; 2. on the funding system without the Sinking Fund; 3. on the funding system with¹ the Sinking Fund.

“III. By ill-directed endeavours towards any of the four ends.

“Rise of prices—a defalcation from security, not a shock to security.

“Causes: I. Unencreasable incomists.

1. Influx of metal money—irremediable; 2. influx of paper money—remediable.

“II. Moneyed incomists. Reduction of rate of interest—irremediable.”

84 27. X. 1800. This passage lies half-way between the chapter “Rise of prices—how to obviate” in the pamphlet on *Circulating Annuities* and *Paper Mischief* [*Exposed*]. It is a first attempt to formulate the thesis of the latter essay. Its only specific interest consists in the fact that Bentham here attempts, in a brief paragraph, to estimate the rate of capital formation in the country: “In this country in the present period the amount of such annual addition [to capital by saving] is probably not less than $\frac{1}{12}$ th of the whole mass of income from mere labour, without stock included: and, if so, it would be more than $\frac{1}{6}$ th of the income resulting from the employment of stock.”

85 30. X. 1800. Summary of box III, 98–102.

86 4. XI. 1800. Summary of box III, 111–121.

87 29. XI. 1800. “Contents” of a chapter of 25 pp. originally destined for *Paper Mischief* [*Exposed*], but obviously utilised later on for *The True Alarm* and *Of the Balance of Trade*. Heading “No Good”. “No good” can come to society “but in the shape of wealth”: but money can add nothing to wealth. “The quantity of wealth produced depends—not on the quantity of money, but on the application of it.” However: “money, at its first introduction, is mostly employed in adding to intrinsically productive capital and thence to national income”. Bentham’s stock argument, but emphasizing more strongly than usual that “the quantity and effect of labour may be increased to the same pitch by a smaller quantity of money as by a greater”.

¹[The MS reads “without” even here.]

- 88 14. XII. 1800. Headed: *Paper Mischief*—"Measures". "Contents" of a few pages lost to us which seem to have anticipated, as to essentials, the chapter "Definitive Remedies" in *The True Alarm* (cf. vol. III, pp. 175-182). There seems, however, to have been a little more elaboration of detail.
- 89-96 Cf. vol. II, pp. 429-433.
- 97 18. I. 1801. Cf. vol. II, p. 433.
- 98-102 Cf. vol. II, pp. 433-436.
- 103-104 24. I. 1801. Cf. vol. II, pp. 436-437.
- 105-110 25. I. 1801. Cf. vol. II, pp. 437-440.
- 111-115 1. XI. 1800. Cf. vol. II, pp. 442-445.
- 116-121 1. XI. 1800. Cf. vol. II, pp. 445-448.
- 122-130 6. XI. 1800. Cf. vol. II, pp. 448-452.
- 131-133 8. XI. 1800. Cf. vol. II, pp. 440-441.
- 134 Cf. vol. II, p. 458.
- A short empty passage omitted.
- 135 8. XI. 1800. "A state of things in which the ratio of the mass of vendible commodities to the mass of money should [?] be stationary or on the encrease, [i.e.] in which the ratio of the mass of money to the mass of vendible commodities should be stationary or on the decrease, is so perfectly without precedent that it is not without great difficulty that the mind can shape itself to the conception of it . . . It is like the history of Brobdignac or Lilliput." It would, however, pay to study it.
- 136 30. XI. 1800. Cf. vol. II, pp. 452-453.
- 137 16. XII. 1800. "Bills." A passage out of its setting and therefore difficult to understand. Bentham seems to discuss a certain (fixed) tax and points out that the poor man who pays it on a loan of £1.- has to pay, comparatively speaking, 75,000 times as much as the rich man who borrows £10,000.
- 138-147 18.-21. XII. 1800. Cf. vol. II, pp. 453-458.
- 148 2. III. 1801. *The True Alarm*, "Results" (contents). Although headed "results," this is the first sketch of the work.
Cf. vol. III, p. 8.
Here is the text:
- "1. Subject-matter—permanent cause of [the] rise of prices. p. 1.
- "2. Objects: 1. advantages; 2. inconveniences; 3. remedies. p. 1, 2.
- "3. The inconvenience from the rise of prices depends solely on the difference in point of happiness between *gain* and *loss* to the same amount. p. 3.

"1. Prices and wealth encrease by the same cause. p. 4.

"2. viz. extension of credit. Whence encrease of money and [its] powers.

"3. Wealth would not encrease so much, but for encrease of money—whence rise of prices. p. 4.

"4. nor without a continual risk of bankruptcy. p. 4.²

"5. As the avoidance of general bankruptcy depends on the freedom of country bankers, their operations ought to be subjected at least to the same controul as those of the Bank of England. p. 5.

"6. Every such bank is a mint by the operations of which the public is taxed (by the rise of prices) for the benefit of the banker and his borrowing customers. Cause of the depretiation a tax. The money flows in faster than goods produced by it can follow it. p. 5.

"7. When a banker's circumstances *were* or are *become* bad, he risks nothing by pouring in an excessive quantity of bad paper. p. 5.²

"8. A controul applied to the old National Bank can not consistently be withholden from the obscure *mushroom banks*—viz. the taking the requisite measures for ascertaining their solidity. p. 6.

"9. Securities proposed: 1. licence; 2. pecuniary qualification with bondsmen; 3. issues limited in proportion. p. 6.

"10. Source of danger little observed—want of small notes for change for the large. p. 7.

"11. —which, without any distrust of the paper, may produce the same effect. p. 7.²

"12. Were the above securities established, the restrictions on small notes might be taken off entirely. p. 8.

"13. A tax *ad valorem* on paper money might serve as an index to the quantity of it—and as a financial resource. p. 8.

"14. Being an indirect tax on goods in general, it would reach many articles that could not be reached otherwise. p. 9. ¹Would it be a tax on capital? Is money that has for ground improvements nothing but remote returns? [?]²

"15. The only plea for confining the tax on small notes, viz. prevention of excessive issues, would be done away by the above proposed securities. p. 9."

The further points touched upon are comparatively uninteresting and have almost all been taken up in later manuscripts.

149-151 16. III. 1801. *The True Alarm*, "Beginning", "Preliminary

^{1 2}[Crossed out in the MS.]

statement of the conclusions", "Precognita" (contents). Cf. vol. III, p. 8.

Here is the text:

"Beginning.

"1. Extent of pecuniary credit, its magnitude in modern times. p. 1.

"2. —is honourable in its causes, and beneficial in its effects. p. 1.

"3. But has its attendant disadvantages—1. Inconveniences—rise of prices. 2. Danger—risk of general bankruptcy. p. 1.

"4. The undesirable effects are frequently ascribed to this or that particular branch of pecuniary credit, while the desirable are ascribed to other branches: —as if all branches did not contribute *pro tanto* to all effects, good and bad together. p. 2.

"5. Or credit itself is reprobated, as if its effects were mischievous upon the whole. p. 3.

"6. By false alarms thus injuriously reprobating the whole or particular branches, as productive of no good, the public is prejudiced against any true alarm, which, acknowledging the good, should point out the bad for the purpose of a remedy—suggesting that remedy. p. 4.

"7. Destruction of the errors the subject has given rise to, will be an useful prelude to the remedial measures recommended. p. 6."²

"Old Positions.

"1. Preliminary statement of the conclusions deduced from the succeeding enquiries. p. 1.

"2. Existing wealth is owing in great measure to encrease of the *means of purchase* by the encreases of money and powers of money. p. 1.

"3. Industry and frugality without these additional means of purchase and additional powers would not have produced an equal encrease of wealth. p. 1.

"4. Pecuniary credit has added to the means of purchase and thence to wealth partly by quickening the circulation of money, partly by adding to its quantity, viz. by paper money. p. 2.

"5. It would not add to real wealth, but that, being employed, as it naturally is at its first coming out, whether by *fabrication* or *import*, in the character of *productive* capital, it gives rise to the production of *things*—the materials of real

^{1 2}[Crossed out.]

wealth—more than would have been produced without it. p. 2. 3.

“5.* Spanish money.

“6. Disadvantageous results. 1. Inconvenience—rise etc.
2. Danger—insolvency. p. 4.

“7. Inconvenience. Rise of prices—thence lessening the real value of incomes. p. 4. 50 per Cent nearly in last 40 years. p. 4.

“8. This inconvenience is not altogether remediless: but the utmost possible remedy will be but partial and inadequate. p. 4.

“9. The *danger* is that of general bankruptcy. p. 5. This is of the essence of pecuniary credit. p. 5.

“10. This is not altogether unsusceptible of a remedy. p. 5. Ex. gr. Associations. But to compleat the security requires other measures. p. 5.

“11. Pecuniary credit is the tree of good and evil. p. 5.”

“1. Excess regards 1. the *inconvenience*: encrease of prices;
2. the *danger*: risk of bankruptcy. p. 1.

“2. The maximum of excess is where every addition to wealth by *money* prevents an equal one by frugality. p. 1.

“3. Difficulty of determining at what point in the line of progression the advantage and disadvantage are *in equilibrio*. p. 3.

“4. The danger, though it can not be annihilated but by the annihilation of credit itself, is greater and greater as credit is extended. p. 2.

“5. Whatever lessens the inconvenience lessens the danger. p. 2.

“6. To judge of the probability of an excess in the quantity of paper, look to the situation of both parties: 1. the issuer, and 2. the first acceptor. p. 3.

“7. The banker, it may seem, will not issue it, without reasonable expectation of a return with profit, either in the way of *repayment*, or sale, and so long as such return is made, there can be no loss nor excess. p. 3.

“8. Casual losses by bankruptcy and prodigality tend not to do away the equivalent, unless in as far as they are encreased by the facility of obtaining paper money. p. 3.

“9. Paper money borrowed and spent in prodigality, instead of affording to the community a full equivalent, affords only to the community a small per Centage upon it, viz. the savings made by the dealers out of their profits. p. 4.

“10. Fresh paper money employed in the purchase of an aggregate *source of income* makes no addition to the prices of *goods* any further than as the price thus given is greater than

it would have been otherwise, and goes besides to supply *prodigal* expenditure: otherwise it is only so much more added to productive capital in the first instance. p. 4.

"11. In this view it would seem that paper money, so long as there was any employable capacity for labour unemployed, could not exist in excess, unless by being employed in prodigality, or in quest of returns too distant. p. 5."

"Precognita.

"1. Momentum of money—its effect on *wealth* and *prices* is as the quantity multiplied by the velocity. p. 1. & 2.

"1.* This expression, tho' metaphorical, is clear from the confusion and error that have flowed from other metaphors on this ground. p. 2. 3. 1. Wheels circulating. 2. Absorption and digestion.²

"2. The *momentum* of the mass of money being given, *species* makes no difference. p. 4. 5. 6.

"3. But *quantity* only being *given*, specie[s] is material, since velocity may depend upon it. p. 7. 8. Unwritten engagem[en]t at the bottom.

"4. Scale of natural velocity as between species and species. p. 8.

"5. Magnitude of the sum conveyed by the piece of metal or paper is a circumstance on which velocity depends and by which the different velocity as between species and species will be influenced. p. 9.

1. Bank Note £20 slower than guineas. 2. D[itt]o £1 as quick as guineas. 3. But not as $\frac{1}{2}$ g[uinea]s [or] 7^s pieces &c.

"5*. A. Smith applies this to *cash*, but not to *paper*. p. 9.

"6. But the velocity of the whole mass would not be encreased by reducing the magnitude of the pieces of the smallest size. p. 10. As between hands competent to possess sums as large as paper, paper has more natural velocity than cash. p. 10.

"It is only as *change* is wanted, that *velocity* is gained by lessening *magnitude*. p. 10.

"7. The velocity of the mass of metallic money, as compared with *paper*, is less than in proportion to its quantity, a part being wanted for a security fund. p. 11.

"8. Necessity of a security fund.—Impossibility of fulfilling the engagements taken by paper money to the utmost possible extent of the demand. p. 12. 13. 1. Security fund must be equal to the greatest probable demand—therefore greater than the *average* demand. 2. Cash 20 mill[ion]s. Paper

¹ ²[Crossed out.]

20 millions. Security fund 10 millions. Velocity of paper double. p. 13.

"9. Paper money of different degrees of *relative* credit, serve as *basis's* to each other. p. 14. 15. 1. Bank the basis of other paper. 2. Cash, of Bank paper. 3. Story upon story.

"10. The money that has least *credit*, has most velocity [and] thence most immediate effect, quantity for quantity, in encreasing wealth and prices. p. 15. 16.

"Climax: 1. Cash, 2. Bank paper, 3. Exchequer Bills, and 4. bills and notes.

"10.* Exchequer Bills hoarded for security funds—why?

"11. The banking trade augments the means of purchase by encrease of velocity—independently of every encrease of *quantity*—p. 17. 18. History of banking trade deferred.

"12. Every fresh bank getting a fresh set of depositing customers (the natural consequence of setting up in a fresh neighbourhood) adds to the means of purchase by *velocity* independently of what it may add to quantity. p. 19. i.e. whether it be an *emitting* bank or no.

"13. A *non-emitting* bank can not add as much to the means of purchase as if it were an *emitting* bank. p. 21. 22. 23.

"Reason. A disposable mass of deposited money will serve as a basis to paper to a greater amount than its own—the disbursement being *actual* in one case, contingent only in the other.

"Illustration p. 23.

I. Non-emission plan		II. Emission plan	
	Thousands		
1. Ballance of deposits	40	1. Ballance	40
2. Portion employed	20	2. Notes	20
	—	3. Security fund for	
3. Security fund	20	d[itt]o notes	10
		4. Remains for more	
		notes	10

"14. A given quantity of specie may be made to add more to the means of purchase by being kept as a security fund for the support of paper, than by being lent out (part of it) in specie. p. 24.

"15. Accordingly country banks *do* *emitt*, as far as they find it practicable and safe. p. 24.

16.¹ Extension of paper credit—bankers' papers are employed reciprocally as *basis's* to each other, each composing his security fund in part of other bankers' paper. p. 25.

¹ 2[Crossed out.]

"17. One banker may thus employ another's paper with views of *enmity*, *amity* or indifference. p. 26.

"18. Danger attending a plan of *hostility* carried on by such means. p. 27.²

"19. In proportion as each banker's security fund is thus composed, the mass of the means of purchase is encreased because though so much *paper* is *impounded*, yet so much *cash* is set free to form a *basis* for paper to a *greater* amount. p. 28.

"20. If in this or any other way a bank can keep its paper out a certain *time*, it may afford to bear losses to a certain amount, and may therefore be the less scrupulous in the device, and thence in *limiting* the *number* of its borrowing customers. p. 29. 30.

"21. Occasions on which an emitting bank will be called upon for *cash*. p. 31. 32.

"General: 1. want of small money; 2. general distrust of paper; 3. distrust of the paper of this particular bank; 4. hostility of other banks.

"22. The demand for change for want of *small* money in proportion to *large*, where that want exists, is the only *constant* source of demand for cash. p. 32.

"23. Cash could not have been generally wanted for change till after money of the size of paper had been in circulation to a large amount. p. 33.

"24. But *then* could not but be wanted till paper as small had been introduced. p. 33.

"25. When *large* paper money has swelled to that full proportion, demand for cash for *change* can not be distinguished from demand for cash through *distrust* of paper. p. 34.

"26. Unless there be paper as small as cash, and then it appears immediately which is the cause. p. 34.

"27. The demand for paper of the bank sent in by other bankers will not be regularly very considerable—*selfpreservation* being but a *casual* cause, and *enmity* a *dangerous* one. p. 35.

"1. Loss by insolvency; 2. d[itt]o by retaliation.

"28. Hence, barring casual causes of *distrust* (general and particular), paper money may go on encreasing without bounds, and to any degree of *excess*. p. 36.

"29. *Stopping small notes* is no competent check, tending [as it does] to produce the *appearance*—whence the *reality*—of general *distrust*, besides being uncertain in regard to the check it applies to the quantity of *large* notes. p. 37. 38.

"30. Disposition to accept paper in excess (on the first issue of it)—persons in whom it may be expected. p. 39.

"1. Rash traders. 2. Traders without capital. 3. Tottering or reduced traders. 4. Traders for too distant returns. 5. Bankers trading on their own paper. 6. Prodigals. p. 39. 40. 42. 43. 7. Depositing customers [illegible].

"31. When paper may be *issued* with little apparent risk to the issuer, the consequent facility of obtaining it will be continually increasing the number of adventurers who borrow it. Facility with which a capital purely *fictitious* may be created by these means. p. 41.

"32. *Bills* are not so liable to excess as *cash notes*, being regularly returned and cancelled. p. 44. 42. 43.

"33. And, where a fictitious capital is thus to be raised as in *drawing* and *redrawing*, cost more in the way of *interest*. p. 42.

"34. Probabilities must *here* be recurred to in default of positive evidence—the facts being such as the parties find it for their *interest* and in their power to conceal. p. 46. Such theory is better than even *fact*, facts being controvertible, and only shewing what *has* been—this shews what *will* be.

"35. Tendency of the excess of paper money to grow greater and greater, the more the public are accustomed to it. p. 47. 48."

152-153 5. and 20. V. 1801. "Supplement" to *The True Alarm*. Apart from a few irrelevant omissions, parallel to the French text in the Geneva collection, box L, 196-199 and 328-331, *q.v.* 152 contains a few (not very interesting) notes on sources of non-commercial income, prodigality, effects of money borrowed and spent by government in war etc.

153 gives a brief indication of the "per contra profit" which must be set against the evil of the "indirect income tax" levied by the issuing bankers on the community. Paper money is advantageous to the nation "1. by encrease of national wealth; 2. by saving on war loans; 3. by keeping up [the] price of land."

154 2. VI. 1801. *The True Alarm*, "General Observations". Probably the summary of an early draft of §1 of the pamphlet. Cf. the introduction to vol. III, p. 10, footnote 1. Here are a few interesting passages:

"Wealth is encreased, though disadvantageously, by encrease of paper.

"The only difference in point of advantage or disadvantage consists in danger of bankruptcy, which is exclusively attached to paper.

"The advantages attached to paper as a substitute for metal might be compassed without the disadvantages by a Bank of Deposit.

"Encrease of gold and silver *money* in contradistinction to *bullion*, is of no use, even in transactions of government with foreign governments,

"—and in transactions of individual natives with foreigners it is of less or no use as not being legally exportable.

"From scarcity of gold and silver money under abundance of paper no disadvantage arises other than encreased danger of bankruptcy, and that is [as] much encreased by the necessary hoarding of cash (for security funds) as by exportation of the same quantity.

"Converting silver and gold into money is the least advantageous employment that can be made of it."

155 16. VII. 1801. *The True Alarm*, "§2. Opinions announced. §3. Prepossessions obviated" (summaries). Cf. the introduction to vol. III, p. 10, footnote 1. The following passages seem perhaps worth printing:

"According to the most respectable authorities, the encrease of money has been *required* by the encrease of trade.

"The term is ambiguous. It means either that 1. the encrease of trade could not have taken place without the encrease of money,—or that 2. under the encrease of trade, without the encrease of money, mercantile distress, rising perhaps to bankruptcy, would have taken place.

"*Admitted* that the encrease of trade has required the encrease of money as a *condition precedent* of its existence.

"*Denied* that any encrease of money is necessary to the prevention of mercantile distress."

156 16. VIII. 1801. Contents and notes to *The True Alarm*: "Remedies in the way of 1. prevention, 2. compensation." "Remedies true." "Remedies false." "Compensables, Uncompensables ex parte, Uncompensab[i]le[s], Not affected." These short contents and notes cover the same field as Geneva collection box L, 347, 348, 373-378, 389-411, 414-430, *q.v.*, but they are not exactly parallel. For instance, there are only eight "false remedies", while the French version has fourteen, among the "true remedies" the order of exposition is changed, etc.

This sheet also gives the exact title of *The True Alarm* as printed in vol. III, p. 63.

157-159 11. X. 1801. Destined, probably, to serve as a link between *The True Alarm* and *Of the Balance of Trade*, these papers are

not without interest. The text is divided into 38 paragraphs or points of which we print 1-21.

"Recapitulation [of the leading propositions with a view to the discussion of the] ballance [of trade].

"Upon the whole, the truth of the following propositions, some old, some new, will, I am inclined to think, be found pretty well established.

"1. That the value in the way of use of the mass of pretious metals possessed by a nation *does* encrease with the quantity.

"2. That the value of it in the way of exchange as between individual and individual within the nation does *not* encrease with the quantity.

"3. That the value in the way of exchange of the mass of pretious [incomplete].

"4. That in acquiring a fresh value in the way of exchange by being converted into money (and a form given it for the purpose of adapting it in a special manner to the business of exchange) a mass of the pretious metals loses, for so long as it continues in the shape of money, its value in the way of use.

"5. That a government which endeavours to perpetuate the existence of a mass of money in the shape of coin, and to perpetuate its continuance within the country in that shape, in proportion as it succeeds in such endeavours, *destroys* utterly the value of so much of the pretious metals.

"6. That in the case of an individual, true it is, that even in the shape of money, the value of the mass he possesses of the pretious metals does encrease in exact proportion with the quantity in an undiminished ratio: because as the quantity of his particular share in the [total] mass encreases, so does its proportion to the whole of the general or aggregate mass of money, the value of which, or of so much as is employed in a given time in buying and selling things, is always exactly equal to the aggregate of the change bought and sold within that time.

"7. But that this equality as between encrease of quantity and encrease of value in exchange, depends upon the non-encrease in value on the part of the masses respectively possessed by other individuals, members of the same community: for if the quantity of each man's mass encreases in the same proportion in the same time, neither his mass nor theirs will experience any encrease in value.

"8. That the inference that because the share of each individual encreases in value as it encreases in magnitude, so must that of the nation, is a natural but not a just one, but a

completely erroneous one, because in the case of an individual, as his particular share encreases in magnitude, so it does in its proportion to the whole. This is not the case with the aggregate mass belonging to the whole nation (composed of the several particular masses belonging to the several individuals) because its proportion is at all times the whole, and can never be either less or greater.

"9. Be the quantity of the whole mass of money employed in buying and selling things ever so small, the value of it will always be equal to the value of all things, [i.e.] equal to the buying of all things, and be the quantity of it ever so large, it can never buy more than all.

"10. The overplus could buy other things from other nations, if it could be reserved and exclusively appropriated to that use: but that can never be: as it spreads in the nation, it¹ spreads among the vendible things offered to sale within the nation and employs itself in encreasing the prices of the national stock of things that are within reach: there is little or none of the surplus left for the purchase of foreign things. It is the care of governments by their taxes and prohibitions that it shall not be so employed.

"11. That it is by the encrease in the mass of real *capital*, and not by an encrease in the mass of money, that an encrease is produced in the mass of real serviceable wealth, and that by the encrease of the mass of money taken together, the mass of real capital does not receive any encrease.

"12. That as far as money is encreased, the encrease of real wealth depends upon the encrease of the proportion of the money employed in the shape of capital: but that the encrease of this proportion depends not upon the absolute quantity of money so employed, but upon the proportion between the quantity of money employed in that shape, and the quantity employed in other shapes.

"13. That a decrease in the national stock of money, if it were rapid enough to deprive in any sensible degree persons under pecuniary engagements for terms of years of the means of fulfilling those engagements, would in that respect be productive of inconvenience and [occasion] a sense of loss not compensated for by any attendant gain.

"14. But that no such sudden decrease can obtain in the course of trade.

"15. That if the quantity of money in a country were so fixed as to be prevented from encreases, while the quantity of

¹ [The MS reads "its".]

things vendible, not being prevented from encrease, would encrease of course, a decrease to a proportionable amount would take place in respect of the faculty of fulfilling pecuniary engagements for terms of years, but that no such decrease arising from such cause could be rapid enough to produce any sensible degree of inconvenience.

"16. That the only case in which any encrease in the national stock of money could be productive of any *good*, is the case w[h]ere it did not encrease to an amount beyond the encrease in the mass of real wealth: and that even then it would not be productive of any encrease in the mass of real wealth, since by the supposition that encrease would be produced without it: and that good consists in the prevention of an inconvenience scarce sensible.

"17. That in all cases the encrease of the quantity of money in a nation is productive of either no effect or a bad one. And that no bad effect can in any case follow from the stoppage of such encrease.

"18. [missing.]

"19. That to be able to be employed to advantage by government in its intercourse with foreign governments or nations, it ought to be so circumstanced as to be taken out of the circulation in large masses without taking away from any part of the people the faculty of fulfilling their previous pecuniary engagements: and that this can not be done if it be taken from the mass of circulation: it can not be done by any mass of money which has not been hoarded up by government for that purpose in the form of a public treasure.

"20. That if all governments were to stop the further encreases of money in their respective dominions, they would add thereby to the stock of real wealth in the commercial world: since the labour now employed in producing the annual augmentation of the stock of the pretious metals rendered useless by being converted into money, would be employed either in producing a[n] equal augmentation either in the stock of those metals in their useful state, or in the stock of other things.

"21. That any one such government has it in its power to produce the effect to the amount of what would otherwise be the annual augmentation of its coinage, without the co-operation of any other government, and without any prejudice by the pursuit of the opposite policy on the part of the other governments, its friends, enemies, or rivals."

Point 22 is a short sideglance at Adam Smith; points 23-24

are merely a repetition of points 6-8; and points 25-38 (end) argue that, though a "decrease of prices in any considerable and sensible degree is not desirable any more than encrease of prices", and would tend to make it more difficult for the farmer to pay his rent, fixed as it is for a number of years, the evil to be apprehended from a fall of prices which could only result from increased production under a stable circulation, and would thus be slow, is bound to be inconsiderable.

- 160 12. X. 1801. "Contents" of part of ch. [23] of *The True Alarm* parallel to the French text in the Geneva collection, box L, 381-388. Cf. vol. III, pp. 178-182.
- 161 See under 163.
- 162 17. X. 1801. *Of the Balance of Trade*, "contents" of manuscripts lost to us, but roughly (though not exactly) parallel to Geneva collection, box LI, 82-91 and 96-99, *q.v.*
- 163 and 161 13. and 14. X. 1801. *Of the Balance of Trade*, "contents" of manuscripts lost to us, but whose substantial equivalent is preserved in Dumont's translations, esp. 72-81, 104-107 and 114-117, *q.v.* under Geneva Collection, box LI, below. Also a summary of Bentham's first criticism of Irving, but this draft was manifestly abandoned and reformulated by the papers summarised, three days later, in 162.
- 164-166 24. V. 1801. A detached passage belonging to *The True Alarm*. Bentham here defends the country bankers against reproach. They cause the general rise of prices by their issue of paper money, but "no moral blame results from the introduction of these evils", as *mala fides* is lacking.
- 167-171 5. VIII. 1801. This is a version (autograph with some additions in a secretary's hand) of the footnote printed in vol. II, pp. 399-401.
- 172 7. XII. 1801. "Brouillon" to *Defence of a Maximum*.
- 173-187 7-13. XII. 1801. Cf. vol. III, pp. 263-269.
- 188-190 8. XII. 1801. Cf. vol. III, pp. 280-281.
- 191-200 8. XII. 1801. Cf. vol. III, pp. 275-280.
- 201-202 9. XII. 1801. Cf. vol. III, pp. 255-256.
- 203-213 10. XII. 1801. Cf. vol. III, pp. 270-274.
- 214 10. XII. 1801. A question mark is written over this passage which is purely rhetorical and conveys nothing.
- 215-216 12. XII. 1801. Cf. vol. III, p. 251.
- 217-220 12. XII. 1801. Cf. vol. III, pp. 253-255.
- 221-226 12-13. XII. 1801. Cf. vol. III, pp. 256-259.
- 227-228 13. XII. 1801. Cf. vol. III, pp. 251-252.
- 229-230 14. XII. 1801. Cf. vol. III, pp. 252-253.
- 231-232 14. XII. 1801. Cf. vol. III, pp. 292-293.

- 233-234 14. XII. 1801. Cf. vol. III, pp. 291-292.
 235-236 14. XII. 1801. Cf. vol. III, p. 253.
 237-241 14-15. XII. 1801. Cf. vol. III, pp. 259-262.
 242-243 15. XII. 1801. Cf. vol. III, pp. 281-282.
 244-260 14-18. XII. 1801. Cf. vol. III, pp. 282-290.
 261-262 17. XII. 1801. Cf. vol. III, pp. 262-263.
 263 18. XII. 1801. Cf. vol. III, p. 280.
 264-266 18. XII. 1801. Cf. vol. III, pp. 293-295.
 267-273 19-20. XII. 1801. Cf. vol. III, pp. 296-299.
 269—four lines which convey nothing—omitted.
 274-275 20. XII. 1801. Cf. vol. III, pp. 295-296.
 276 20. XII. 1801. Cf. vol. III, p. 299.
 277-278 19. XII. 1801. Cf. vol. III, pp. 301-302.
 279-281 20-21. XII. 1801. Cf. vol. III, pp. 290-291.
 282-283 23. XII. 1801. Cf. vol. III, pp. 299-301.
 284 24. XII. 1801. Cf. vol. III, p. 293.
 285 A "brouillon" similar to those contained in box CLXVI,
 27-49. Various notes concerning mostly the Exchequer Note
 idea, very early in date and preliminary in character.
 286 A "brouillon" to "Money Traffic". Cf. the introductory essay
 to *A Plan for Augmentation of the Revenue* in vol. II, p. 9. The
 text is as follows:
- "1. Demand—modifications of.
 - "2. Ability to purchase—modifications of.
 - "3. Sale of annuities.
 - "4. Purchase of annuities.
 - "5. Purchase of interests already existing.
 - "6. Conjunction of sale with purchase.
 - "7. Exchange of annuities.
 - "8. Tontines for lives, for years.
 - "9. Power of redemption.
 - "10. Friendly Societies' business.
 - "12. [*sic*] Amicable Society's business.
 - "13. Equitable Society's business.
 - "14. Duration of lives.
- Necessity & mode of ascertaining it by authority.
- "1. Borrowing—with or without interest.
 - "2. Lending—with or without interest.
 - "3. Pawnbroking.
 - Banking in the way of deposit.
 - "4. „ in the ordinary way.
 - "5. Insurance.
 - Life insurance simple and life against life,"

Cf. also box CLXVI, 54-57, below.

287-289 Cf. vol. II, pp. 185-186.

290-291 Cf. vol. II, p. 191.

292 There is a question mark over the whole page. The material belongs to "Money Traffic" as the items immediately preceding and following it. Bentham suggests that the new (Exchequer) notes should not be consecutively numbered, in order to increase the difficulty of forgery.

293-302 Cf. vol. II, pp. 191-196.

303-357 Suggestions of a technical nature for the prevention of forgery of bank notes, a subject already touched upon in 290-302. A PS. to a letter to Nicholas Vansittart, dated 24 April 1801, shows how vitally Bentham was interested in this topic because it appealed to the inventor in him: "The day before yesterday, while the House was already sitting, I took the liberty of sending in to you a short paper on the subject of the Bank Forgery Bill etc." (cf. B.M. Add. MSS 31235, 15; cf. below). The matter is not interesting from an economic point of view.

358-505 *Annuity Notes—Contra Eden*. The decisive text of this refutation of Sir Frederick Morton Eden's critical remarks on Bentham's Annuity Note plan is contained in the British Museum Collection, Add. MSS 31235, 36-86. Cf. below.

506-511 15. V. 1819. Draft of a letter to a newspaper editor, not all in Bentham's hand, and fragmentary. Title: "Paper and Gold". The fragment, if it has any distinct idea to put forward, can be summed up as follows: Prices should—if possible—neither rise nor fall, for in either case some people are made to suffer.

"Supposing, then, by the appropriate means, whatever they be, this steadiness secured, and with it, so long as it continues, all sensation of loss from the source in question excluded, what need or what use can there be of the resumption of cash payments? What need or use of the restriction of issues of Bank paper? Of issues beyond the present average amount, yes: for that would produce rise of prices, and thence and with it the sensation of loss on the part of men in the opposite and correspondent situations: of issues not beyond the present average amount, no: for that would produce lowering of prices, and thence and with it the sensation of loss on the part of men in the opposite and corresponding situations as before. Those who insist on the reduction of Bank issues to that degree in a scale, whatsoever it may be, that shall have the effect of rendering it as easy to obtain coin to any given nominal amount as paper at the same nominal amount, and therefore exactly at the same price, admitt of the graduality of such

reduction. And so far it seems they judge right; for if a loss must come, the more slowly and gradually it comes, from a heavy loss down to an almost imperceptible one, the better: the sensation of loss is, by so much as the reduction is more slow and regular, the less severe. But to what end, if it can be avoided, inflict any such sensation at all on any one? To this question it does not seem to me possible to give any satisfactory answer."

BOX IX

- 37-49 Cf. the introductory essay to the *Defence of Usury*, vol. I, p. 29, footnote 2, and below under box CLXVI, 2-5.

BOX XVII

- 1 See the introductory essay to the *Defence of Usury*, vol. I, p. 36. Cf. also vol. I, p. 207.

The rest is covered with short notes on points meant to be discussed and disjointed considerations of a somewhat inconclusive nature.

- 2 The passage headed "Commandite" is a continuation of the passage on 3 which speaks of "a measure of real wisdom . . . adopted a few years [ago] by the Irish Parliament", namely "the permitting men to embark limited sums in mercantile undertakings, without embarking their whole fortune". Bentham argues that this directed some small sums into industry, but he insists that it did not create any new capital. For the rest cf. vol. I, pp. 205-207.

- 3 See under 2.

For a passage headed "Mischiefs of Colony-holding" cf. vol. I, pp. 203-204.

The rest is composed of disjointed passages and only one—headed (in pencil) "Limits to Reform"—seems of some consequence. Bentham points out that the government ought not to go over abruptly to free trade, however superior it may be as a principle, because of "the loss that would be sustained by individuals who . . . have in consequence of these coercive measures embarked their capitals in the branches of trade thus unnaturally favoured". They ought to be given "time for withdrawing so much of their capital as they can withdraw . . . without loss", and they should be indemnified "from such loss as is not to be avoided".

- 4-5 Cf. vol. I, pp. 191-194. Cf. also below under CLXIX, 173.

- 6-9 Cf. vol. I, pp. 195-201.

- 10 Another version of the idea that usury laws do not increase

wealth because they do not add to the amount of capital available.

11 Cf. vol. I, pp. 202-203.

12 Cf. vol. I, pp. 201-202.

13 Summary of 14 and 15.

14-15 Cf. vol. I, pp. 223-225.

16 A sheet in French, very faded. The text apparently corresponds to the "Introduction" to the *Manual*.

17 Cf. vol. I, p. 244, footnote.

18-19 In part printed, vol. I, p. 252, as footnote. Otherwise there are only a few phrases noted here which Bentham meant to employ.

20 Printed as footnote in vol. I, p. 236.

21 Summary of 24-28.

22 A sheet with a good deal crossed out. The text is partly used in §§ 4 and 5, "General Observations", of the *Manual* as printed here. Cf. vol. I, pp. 233, 236-237. What little is left out is quite familiar argument.

23 Printed as part of §4 of the *Manual*. Cf. vol. I, p. 234.

24-28 Cf. vol. I, pp. 226-231.

29-30 Cf. vol. I, pp. 238-241.

31 An odd sheet with a few lines arguing that saving should be voluntary, not forced.

32 Cf. vol. I, pp. 241-242.

33-39 Cf. vol. I, pp. 242-248.

40 Cf. vol. I, pp. 252-254.

41 Cf. vol. I, pp. 258-260.

42-44 Cf. vol. I, pp. 248-251.

45 Cf. vol. I, pp. 255-256.

46-49 Cf. vol. I, pp. 260-265.

50 Printed in vol. I, pp. 44, 45 (introduction to *Colonies and Navy*).

51-53 Summarised in the introduction to *Colonies and Navy*, vol. I, pp. 45, 46.

54-57 Cf. vol. I, pp. 212-216.

These pages form part and parcel of a manuscript of which the greater part is contained in box XXV, 36-49. For the correct arrangement of the sheets concerned, see introduction to *Colonies and Navy*, vol. I, p. 46.

58 Cf. vol. I, pp. 272-273.

59 Cf. vol. I, pp. 233-236.

Two very short passages are left out because they do not fit in very well. They are directed against Adam Smith and accuse him of inconsistency.

60 Only one sentence is printed above. Cf. vol. I, p. 233. The

rest is composed of two sets of preliminary notes, both of *laissez-faire* import. They are without interest, with the possible exception of the following sentences which show a certain historical turn of mind:

"The stock of wealth actually existing in the world, having accumulated gradually through all periods since the first and rudest stage of existence (the hunter state) shews that the principle of parsimony is stronger than the principle of consumption. The rate of the excess is somewhat different in different nations: but in all there is some excess."

There are also two short lists of "modes of encouraging industry", one "in general", the other concerning "particular branches".

Cf. also introduction to the *Manual*, vol. I, p. 54.

61 One short passage is included in the *Manual*. Cf. vol. I, p. 236.

The following passage curiously recalls the physiocratic bias in favour of agriculture (cf. also *sub* box XVII, 2):

"Agriculture does not stand in any way in need of *refined* manufactures (i.e. what is commonly meant by manufacture*), neither 1. as a fund of subsistence; nor 2. as a market; nor 3. as a source of capital. The products of agriculture are so various that in all these shapes it is sufficient to itself.

"But manufacture does stand absolutely in need of agriculture, and that in every shape: for subsistence, for materials, for market and for capital.

"It does for capital, viz.: for circulating capital.¹ Such part of the circulating capital as is to compose the food of the manufacturers before their work is finished, must consist in the productions of agriculture. For shortness sake, this part of the circulating capital is said to consist in *money*. But this is not literally true. Neither silver nor gold are good to eat. It is the corn and flesh that maintains the manufacturers, not the silver or the gold with which such corn or flesh may be bought: if there was not the requisite superfluity of corn and flesh stowed up somewhere, all the gold and silver in the universe would never answer the purpose.

"It may be asked how such superfluity comes, or came, to exist?

"Answer—This may do very well as a question of curiosity,

*"I distinguish manufactures into *coarse* and *refined*: coarse [manufacture is] that which necessarily accompanies agriculture, because without it agriculture either could not be carried on at all, or not in the manner in which it is actually carried on at the time and place in question."

¹[The MS. says: "1. for circulating capital", but there is no "2.".]

but the difficulty of accounting for a fact under a particular theory can never be received as a disproof of the fact. The case is, that enough is never enough, unless it be something more than enough. The production of a great country in this way can never be by contrivance so exactly proportioned as to have always enough, yet never any to spare. There is therefore always in the world, upon an average, a little superfluity in hand of the productions of agriculture: and it is out of this superfluity that the additions gradually made to the labour employed in manufactures is supplied.

"Every year out of the rising generation new recruits are enlisted in the several branches of industry: and it is according as the wages offered in any branch become more considerable in that year that the proportional number of recruits got by that branch is augmented. But this augmentation of [the] wages of labour can not take place but in consequence of a proportionate augmentation in the demand for the produce of that labour: and this determines whether the superfluity, whatever it amount to, shall be applied chiefly to the maintenance of one class of labourers or chiefly to another, to the production of the produce of one mode of employing capital, or of another: to the production of the products of manufacture, or of the produce of agriculture.

"It may happen that in a particular bad year there shall be no superfluity of necessary food, or a less superfluity than the average amount. In such case there will be a proportionable addition of labour to that branch of agriculture, and a proportionable subtraction from the other branches of agriculture and from the several branches of manufacture."

A few other sentences here are without interest.

62 See the introductory essay to the *Manual*, vol. I, p. 52.

Arguing against a "forbearance to tax exports" because such a measure "throws away the tax that might have been levied on foreigners", Bentham notes one "Exception: Taxing exports of metals, in as far as it amounts to a prohibition, hurts the proprietors of mines, and through them general wealth: because mine-land can not be turned to any other use, as corn land, for instance, may. The rent here, as in tilled land, is so much gain to the nation, over and above the profits of stock which is susceptible of any direction."

63 Various critical remarks that occurred to Bentham when he read Lord Sheffield's *Observations on the Commerce of the American States*. Most of them are simply common-sense observations. One notes that it is essential to distinguish a "real" and a

“nominal ballance [of trade]”—the nominal is “the quantity of money received over and above that expended”, while the “real is the quantity of labour received over and above that expended”. Bentham also discusses in a few sketchy lines the influence of the national debt on “the price of labour”. Taxes to cover the payment of interest on the debt do not, as Sheffield thinks, fall on wages. Real wages depend on the quantity of capital in proportion to population. As long as it remains the same, “the higher the taxes, the more will the price of labour be raised. It is not the taxes for the discharge of the interest on the debt that sink the price of labour: it is the expenditure which made the debt, and thence the taxes, necessary, viz. that part of the expenditure whereby the quantity of capital . . . was lessened. But from the total expenditure is to be deducted 1. so much of the capital expended, as, were it not for the borrowing of it, would have [been] spent, not laid up in the shape of capital; 2. so much, as in the way of profit is laid up in the shape of capital”.

64

This “Tabular View” has been taken in the text as a basis for the arrangement of the materials of the *Manual* as far as “improper measures” are concerned. Here is the full text of the decisive passage:

“Encouragements direct: 1. Grants of capital. 2. Loans of capital. 3. Bounties on produce [and] on export. 4. Exemptions from taxes and other burthens. Forbearance to tax exports. 5. Restitution of taxes—Drawbacks. 6. Premiums on immigration of workmen.

“Encouragements indirect: 1. Prohibitions of rival branches 1. subsisting 2. not yet instituted, in hands 1. foreign 2. native. 2. Taxation of rival branches in hands 1. foreign 2. native. 3. Prohibition of the exportation of tools. 4. Prohibition of emigration of workmen. 5. Non-importation agreements which are voluntary prohibitions of import. [6.] Prohibition of export of raw material. 7. 8. & 9. Encouragement of import or production of raw materials. 10. Treaties with a view to obtain new encouragements in trade. 11. [Treaties] against discouragement in trade. 12. [Treaties] to obtain the removal of discouragements.”

There is a later passage on this page headed “Operations of government” where “Loan of capital” comes before “Gift of capital”.

Several further columns are summed up in the introductory essay to the *Manual*. Cf. vol. I, pp. 54 *et seq.* Only a few scraps without importance are not utilized.

29. I. 1795. Cf. vol. I, pp. 49, 54 *et seq.* The "General Observations" of the text are arranged in accordance with a list of headings to be found here. This sheet shows the wide range of subjects Bentham meant to discuss in the *Manual*. The text is as follows:

"I. General Matter.

"1. Introduction: This why necessary, notwithstanding Smith's. 2. Fundamental principles. 3. Modes of operating in the power of government in the pursuit of the ends of political economy.¹ 4. Regard due to subsisting interests, or dangers to be guarded against in a change. 5. Ways in which national wealth is capable of receiving an encrease, or possible modes of encrease. 6. Limits of the subject of political economy with distribution law, penal law, military department, police.

"Addendum in the first or last place:

"What [is] to be done in respect of security in point of subsistence.

"II. Encouragement: Ineligible Modes.

"1. Loan of capital. 2. Gift of capital. 3. Bounties on production. Corn in Ireland: This not for subsistence. 4. Bounties on export. 5. Drawbacks on exportation. 6. Prohibition of exportation of the article meant to be favoured in the instance of gold and silver. Refer to B[ook] III. 7. Taxes on exportation of the article meant to be favoured. Gold and silver. Quere if exemplified. Refer to B[ook] III. 8. Bounties on import of raw materials. 9. Bounties on production of raw materials. 10. Prohibition of rival productions. Woollen Burial Act. Button Act. 11. Prohibition of rival imports. 12. Prohibition of rival exports. 13. Taxation (for discouragement's sake) of rival productions. 14. Taxation (for discouragement's sake) of rival importations. 15. Taxation (for discouragement's sake) of rival exportations. 16. Non-importation agreements. 17. Exemption from taxes on production. 18. Exemption from, or forbearance of, taxes on export. 19. Exemption from taxes on production of raw materials. 20. Exemption from taxes on importation of raw materials. 21. Prohibition of export of raw materials. 22. Taxation of export of raw material. 23. Prohibition of the exportation of materials or instruments of manufacture. 24. Taxation on the exportation of materials or instruments of manufacture. 25. Prohibition of the emigration of hands (tradesmen, workmen). 26. Taxation on the emigration of hands (tradesmen, workmen). 27. Bounty on the immigration of hands (tradesmen, workmen). 28. Prohibition on the

¹[A question mark is written over this passage.]

production of hands. Cottage Act. 29. Prohibition of the migration of hands from employment to employment. Settlement-laws. Apprenticeship laws. 30. Expulsion of hands. Intolerant laws. Hawkers Act. 31. Treaties protecting against discouragements applied to our exports. 32. Treaties protecting against discouragements applied to our imports. 33. Treaties securing encouragements to our exports.

"III. [Encouragement: Ineligible Modes Continued: Possible Modes of Encreasing Capital.]

"1. Bounties for production of capital, i.e. for frugality: scarce exemplified—parable of the talents. Principle of equalization the reverse. 2. Bounties for import of capital: scarce exemplified. Jew Naturalization Act. 3. Bounties on export of capital: Plainly repugnant to the end—Not exemplified except indirectly by the expence of acquiring and retaining colonies. 4. Prohibitions on consumption of capital. Sumptuary laws intended to do this. 5. Prohibitions on export of wealth and thence of capital: gold and silver; bullion and coin. 6. Taxes on export of capital. Absentee-taxes. 7. Prohibitions of import of capital: fixation & reduction of the rate of interest. 8. Taxes on import of capital: taxes on high rates of interest. 9. & 10. Prohibition and taxation on the giving to capital the most lucrative direction: fixation and reduction of rate of interest."

Three passages from this sheet have been included in §20 of the *Manual*—"What [is] to be done in respect of security in point of subsistence". Cf. vol. I, pp. 265, 268. Cf. also the introductory essay to the *Manual*, ib., p. 54. Further sentences concern the corn trade, the balance of trade, and scarcity of capital, all, however, without particular interest.

Early notes for the *Manual*, esp. a series of "topics" to be taken up. Two columns ("Definitions" and "Propositions") on the whole identical with the corresponding sections of the *Manual*. Cf. box XVII, 24 *et seq.*

The only more suggestive (though not quite clear) passage reads as follows: "Taxes a sacrifice of wealth to security. It is insuring. The interest of the money is the premium."

Summary of a chapter of 4 pp. "on the aids employed in the view of furthering the object of political economy". This corresponds to §3 of the *Manual*. Cf. box XVII, 220.

Summary of *Manual* §6. Cf. box XVII, 29 and 30.

Extract from Lord Sheffield's *Observations on the Manufactures, Trade, and Present State of Ireland*, 1785.

For two passages from this "brouillon", cf. vol. I, p. 242, footnote, and 251 *et seq.* A few lines entitled "Prohibitions—

- mischief" embody the usual argument but allow us to date this sheet as Bentham speaks of "the prohibition of India goods lately decreed by the Nat[ional] Ass[embly of France in] July 1790". Finally there are a few more sketchy lines, one set on luxury, the other containing some impressive flowers of style apparently meant to be utilized in the *Manual*.
- 72 A "brouillon" *re* bounties, prohibitions, etc. (Only a few lines.) Cf. vol. I, p. 52.
- 73 "Corn Bounty." The better part included in the text of the *Manual*, vol. I, pp. 265-268. Excluded: a few lines on the consequences of a glut in the corn market; and a few references to Adam Smith on the same subject. No clear line of thought emerges here. Bentham refers to "King quoted by Young", i.e. to Gregory King's well-known rule that "1/6th deficiency makes a rise of 1/3rd in the price".
- 74 Cf. vol. I, pp. 269-271.
- 75 21. V. 1804. An excerpt from Thornton's book, *Inquiry into the Nature and Effects of the Paper Credit of Great Britain*. Cf. Geneva Collection, box L, 440-453.
- 76 "Principles of Public Economy." A list of unnecessary expenses listing, *inter alia*, "Fellow-ships in colleges" as "pay without pretence of service". Under "false pleas" the reference is throughout to Burke. This early sheet is interesting because it foreshadows the later pamphlet of 1817—*Defence of Economy against the late Mr. Burke*.
- 77 Cf. the introductory essay to the fragmentary pamphlet *Colonies and Navy*, vol. I, pp. 47 *et seq.* A few preliminary jottings. Two sets of very empty notes entitled "Capital, encrease of, how far beneficial" and "Tax-surplus, disposal of".
- 78-82 Excerpts from Lord Sheffield's *Observations on the Commerce of the American States* (6th edition).
- 83-89 Cf. the introductory essay to vol. II, pp. 28-34.
- 90-92 A copyist's copy of 93-96. Occasional autograph corrections. Cf. below B.M. Add. MSS 31235, 1-15, which is the decisive version of this letter.
- 93-96 See immediately above, 90-92.
- 97-104 Another draft version of the same material as 90-92. One page missing.
- 105-108 "Stock Note Plan—P.S." Similar in content to the passages of letter I summarised in vol. II, pp. 31 and 32.
- 109-142 "Collectanea"—i.e. a collection of various statistics, excerpts and the like, which Bentham meant to utilize, and in part did utilize, in connection with the drafting of such works as *Paper Mischief [Exposed]*, *The True Alarm*, *Defence of a Maximum* etc.

- 143-152 29. X. 1800. Cf. vol. III, pp. 312-317. A few marginal notes on 152 omitted.
- 153-154¹ 25. VIII. 1801. This is a general survey of the *Institute* such as Bentham envisaged it in his mind. Various essential ideas are more felicitously and concisely formulated here than anywhere else, and these passages have been utilized at various points of our text. Cf. vol. III, pp. 309, 318, 321, 361, 363 and 378. The rest is omitted.
- 155 There is no page numbered 155.
- 156-157 30. X. 1801. Cf. vol. III, p. 354, footnote *. The better part is a short summary of the "*non-agenda*" and is here omitted.
- 158-160 Together with sheets 162, 164 and 166 on the whole identical with the foregoing pages. Cf., however, vol. III, p. 378.
- 161 Draft of 153.
- 162 See *sub* 158-160.
- 163 25. VIII. 1801. Cf. vol. III, p. 354, footnote †. The rest practically identical with a passage on 260.
- 164 See *sub* 158-160.
- 165 31. X. 1801. Partly identical with 261. Cf. vol. III, p. 348.
- 166 See *sub* 158-160.
- 167-168 24. X. 1800[?]. Cf. vol. III, pp. 310-312.
- 169 Oct. 1800. "Liberty." Liberty is exposed to defalcations and shocks. It is attacked by "demagogues", "through depravity of the will", and by "philosophers", "through defect of understanding, for want of correct and comprehensive views". To the latter category belong Price, Thomas Payne [*sic*] and Rousseau; and partly even "the Montesquieus, the Blackstones, and the Adam Smiths".
- 170 Oct. 1800. Cf. vol. III, p. 309.
- 171-175 24. X. 1800. Cf. vol. III, pp. 307-310. 175 should come before 174.
- 176 22. VI. 1801. Cf. vol. III, p. 320.
- 177 12. VII. 1801. Partly crossed out, partly in a secretary's hand. The passage crossed out states that "the banker's trade, upon its original footing as carried on by the London bankers, is an addition to the powers of the means of purchase", and "the cash paper branch, as carried on by the generality of country bankers, an addition to that first addition". The rest is an anecdote from American history, with some critical remarks on it.

¹Some pages here and in the rest of box XVII are not in Bentham's handwriting, but in that of an amanuensis. They carry, however, almost always autograph corrections and thus rank as authentic (and indeed as maturer texts than the autograph pages which they copy).

- 178 22. VIII. 1801 (also marked Oct. 1800). Cf. vol. III, p. 310.
- 179 24. VIII. 1801. Cf. vol. III, pp. 347-348.
- 180 March 1804. Cf. vol. III, p. 367.
- 181-182 28. VIII. 1801. Cf. vol. III, pp. 365-366.
- 183-184 31. VIII. 1801. Cf. vol. III, pp. 327-328. A footnote attacking the "rights of man" omitted.
- 185 29. VIII. 1801. Cf. vol. III, p. 370. A short passage omitted which begins as follows: "Foreign capital obtained in loans is doubly useful: at the time of contracting debt, by diminishing that consumption of capital, by which the mass of growing wealth is diminished: at the time of paying off debt, by diminishing that inordinate encrease of capital by which, as if it were by an unproductive income tax, the income of moneyed men is reduced."
- 186 31. VIII. 1801. Cf. vol. III, p. 329.
- 187-188 31. VIII. 1801. Cf. vol. III, pp. 329-330.
- 189 31. VIII. 1801. Cf. vol. III, p. 331.
- 190 2. IX. 1801. The mass of wealth in any community at the end of a given time is the original stock plus accretions minus losses. Losses occur through "deperition" and exportation.
- 191 29. X. 1801. A summary of the "broad measures" (cf. vol. III, pp. 342-357) which emphasizes once more that they are futile.
- 192-195 29. X. 1801. Cf. vol. III, pp. 345-347.
- 196-198 23. and 24. VIII. 1801. Cf. vol. III, pp. 344-345, 346. A short passage defining and distinguishing "*non-agenda*" once more is omitted.
- 199 Not dated. Cf. vol. III, p. 355, footnote.
- 200-206 27. VIII. 1801; 29. and 30. X. 1801. Cf. vol. III, pp. 353-357.
- 207 22. VIII. 1801. Cf. vol. III, p. 318.
- 208 23. VIII. 1801. Cf. vol. III, p. 323.
- 209-210 23. VIII. 1801. Another repetition of the thesis that "the greater the proportion of national labour habitually employed in the production of instruments of mere enjoyment, the greater the proportion capable of being transferred upon occasion to the production of instruments of subsistence or defence." 210 has a few words in favour of corn magazines.
- In view of Bentham's later development, the following sentences are not without interest: "Universal equality in respect of property and universal liberty in the sense in which it means universal equality in respect of political power, imply universal indigence and universal defencelessness. The rights of man are the right of being starved and conquered."
- 211-218 20. and 21. VI. and 22. VIII. 1801. Cf. vol. III, pp. 333-337. A very few marginal notes omitted.

- 219 20. VI. 1801. Cf. vol. III, p. 322 (footnote †) and p. 342.
 220 Part of the *Manual*. Cf. vol. I, pp. 231-233.
 221-227 30. VIII. 1801. Cf. vol. III, pp. 321 (footnote) and 324-327.
 228-229 31. VIII. 1801. Cf. vol. III, pp. 328-329.
 230 31. VIII[?]. 1801. Cf. vol. III, pp. 330-331.
 231-234 1. IX. 1801. Cf. vol. III, pp. 331-333.
 235-236 23. VI. 1801. Cf. vol. III, pp. 320-321.
 237-238 22. VIII. 1801. Cf. vol. III, pp. 318-320.
 239 2. IX. 1801. A passage defining "deperition" and "deterioration". Acts producing these "it is the province . . . of the penal [law] to prevent".
 240-241 22. and 24. VIII. 1801. Cf. vol. III, pp. 363-364.
 242-243 [?] 1804. Identical with 309. Cf. vol. III, pp. 323-324.
 244-250 11-16. III. 1804. Identical with 310, 320, 322-326 and 334. Cf. vol. III, pp. 337-341.
 251 11. III. 1804. Identical with 321. Cf. vol. III, p. 341.
 252 A few printed pages from *The Rationale of Reward* pinned together.
 253 "To what institution at the public charge are objections most apt to be made? To those of which the expence is minute, the profit infinite. To what least apt? To those of which the expence is great, the profit to the public precarious or even negative. . . . Whence this inconsistency? From hence: that in the one case, the profit is remote, and shared by countless multitudes; in the other, immediate, and shared among a few."
 254 29. X. 1801. Cf. vol. III, pp. 342-343.
 255 16. III. 1804. Identical with 328. Cf. vol. III, pp. 342-343.
 256 10. III. 1804. Partly identical with 313. Cf. vol. III, pp. 343-344, footnote.
 257 29. X. 1801. A passage destined for the chapter on finance, which merely refers to "Non-Faciendum the [second]".
 258 Not dated. Cf. vol. III, pp. 343-344.
 259 An interpolation of Bowring's.
 260 Not dated. Cf. vol. III, pp. 321-322 and 361.
 261 See under 165.
 262 Another interpolation of Bowring's.
 263-264 19. III. 1804. Identical with 337 and 338. Cf. vol. III, pp. 351-352.
 265 30. X. 1801. Cf. vol. III, p. 351.
 266-267 20. III. 1804. 267 identical with 312. Cf. vol. III, pp. 352-353.
 268-274 24. VIII. 1801 and 15. III. 1804. 268 identical with 327. Cf. vol. III, pp. 357-360.
 275-280 Part of the *Manual*. Cf. vol. I, pp. 254-255 and 256-258.
 281 March 1804. Partly identical with 314. Cf. vol. III, p. 361.
 282-284 28. VIII. 1801. Cf. vol. III, pp. 364-365.

- 285 14. III. 1804. Partly identical with 319. Cf. vol. III, p. 370.
 286 29. VIII. 1801. Cf. vol. III, p. 366.
 287-292 11. and 14. III. 1804. Identical with 316-318 and partly with 319. Cf. vol. III, pp. 366-370.
 293-305 8. and 9. IX. 1801. Cf. vol. III, pp. 371-377.
 306-308 11. and 14. III. 1804. 306 has long interpolations of Bowring's. For the authentic autograph text of Bentham's, cf. vol. III, pp. 378-380.
 309 See under 242-243.
 310 Identical with 245.
 311 For the best part identical with 253. Cf., however, vol. III, p. 357.
 312 See under 266-267.
 313 See under 256.
 314 See under 281. Cf. also vol. III, p. 362.
 315 11. III. 1804. Cf. vol. III, pp. 362-363.
 316-318 See under 287-291.
 319 See under 285 and 287-292.
 320 See under 244-250.
 321 See under 251.
 322 See under 244-250.
 323-326 See under 246.
 327 See under 268-274.
 328 See under 255.
 329 16. III. 1804. Cf. vol. III, pp. 344 and 348-349.
 330-331 17. III. 1804. Cf. vol. III, pp. 350-351.
 332-333 Identical with 335-336, *q.v.*
 334 See under 244-250.
 335 One more passage setting out Bentham's often expressed conviction that newly introduced money will only increase national wealth if it first passes through a "productive" or "commercial" hand.
 336 19. III. 1804. Cf. vol. III, pp. 349-350.
 337-338 See under 263-264.
 339-353 6-18. III. 1804. With the exception of 347, all "contents" of *Institute* materials. 352 and 353 summarize some texts which are not to be found (headings B, C, and D), but as they seem to have covered the same subject-matter as *The True Alarm*, the loss is slight.
 For 347, dated 14. III. 1804, cf. vol. III, p. 321, footnote.

BOX XX

All the manuscripts in this box belong to the proposal *Supply without Burthen, or Escheat vice Taxation*.

- 1-2 Materials connected with the printed pamphlet.
- 3-12 "Brouillons" for the larger work on the subject which Bentham was writing but never finished. Some concern the probable effects of the measure (3 and 8); others the administrative apparatus to be set up (9: introduction and development; 5: collection; 7: official establishment; 4: various technicalities, going into some detail); others again discuss special problems arising out of the principle of escheat (6: bequest, defalcation and settlement; 11: successors to the principal with or without deduction; 10: particular cases); one sheet (12) is concerned with some of the objections and belongs together with box CLXVI, 48. For 8, cf. above, introduction to *Supply without Burthen*, vol. I, pp. 69 and 70.
- 13-53 Text of the printed pamphlet.
- 54-55 One of Bentham's usual diatribes against law and the lawyers. He claims that a rational law of inheritance could be formulated in fourteen sentences.
- 56-57 "Widows and Widowers of relations within the pale", i.e. of relations entitled to inherit according to Bentham's proposed law of succession. Should they be allowed to inherit as well as their predeceased partners? The question is not one of principle but of expediency: it should be so decided as to minimize disappointment of expectation and to avoid a sense of hardship.
- 58 Cf. the introductory essay, vol. I, p. 62.
- 59-60 These two pages form a whole with the preceding and elaborate the proposed law of succession, 59 dealing with the case of a legatee, 60 with the case of a widow.
- 61 Same continued. "A father to succeed to the gains of his son or daughter dying childless."
- 62 Cf. vol. I, p. 328, footnote (*).
- 63 Cf. vol. I, pp. 320-321.
- 64-65 Definition of "near relations". Some discussion of how the law of succession should treat them.
- 66-67 "Shall the public's share be taken out of the residue, out of the whole estate or out of each particular legacy?" Bentham's answer is: "Decidedly out of the residue." In this case, the legatee cannot estimate how much he loses through escheat: "the hand of the legislator . . . is behind the curtain"; while when "taken out of particular legacies, the share of the public would wear the appearance of a tax, and that a most enormous one."
- 68-69 This passage argues that the right to bequeath half of one's fortune to "dependents" will be quite sufficient to secure a

man the "obsequiousness" of those who serve him in the hope of inheriting from him.

70 The position of the proprietor whose power to bequeath is to be restricted to half his fortune under the proposed law, will still be better than the actual situation of those "persons of the first opulence" who are merely "tenants for life under a settlement".

71 No harm will be done if the Escheator lays his hands on estates which will eventually afford no surplus.

72 A discussion of the case of "settlements", especially "as to the persons stiled in the language of the Courts of Equity *Volunteers*, and as to all persons not *in esse* at the passing of the act".

73 "From family settlements the operation of this system need receive little impediment" as "the persons for whom it is [the] object of an arrangement of this sort to provide come with little or no exception within the list of those whose claims the principle leaves untouched".

74 "Grantees in settlements purely voluntary . . . to be considered . . . as devisees to the profit of the Exchequer."

75 The case of *Volunteers* (cf. 72 above) under the existing law.

76 The proprietor is not to have it in his power "to make a more ample disposition than he is hereby allowed to make by will, in the way of settlement or other conveyance to take effect after his death with or without power of revocation".

77-78 "Officers: their powers, functions, duties, and emoluments."
For some of the details cf. the introductory essay, vol. I, pp. 71-72.

79 Same contd. Cf. *ib.* p. 72.

80-84 Same contd. Cf. *ib.* pp. 72-73.

85 Precedents for the establishment of the proposed new judicature.

86 "In what manner shall this branch of the revenue be got in?" It is a problem not faced before but "the law of executors and administrators, the law of bankrupts, the law relative to the power of Justices of the Peace, the law relative to Courts of Conscience—each of these examples of regulation may afford us something that may be turned to use". Differences between the proposed system of escheat and "the case of a vacant succession to be distributed as at present".

87 "Under what authority shall this branch of the revenue be collected?" Nothing that exists will do. "An entire new establishment for this purpose there must be; and in this establishment must be contained a new judicature." (Cf. above 77-84.)

88-92 A rather rhetorical fragment which does not contain what it

promises. The following quotation shows what it is about: "In framing the provisions destined to the carrying the plan into execution for the benefit of the public purse, there are two objects that ought to go hand in hand, and never to be lost sight of, efficiency and respect for the feelings of individuals . . . The first of these objects being in truth the only immediate one in a plan of finance (the other, how important soever, being but a collateral one) is apt to occupy rather too large a space in the attention of the financier[?] to the prejudice of that regard which is not less due to the other. In the following sketch I flatter myself it will appear that the latter object has by no means been neglected. The attention shewn to the respective situations and exigencies of widows, boarders, servants, and other inmates, manufacturers and debtors will, I hope, be thought to afford some evidences of this truth". Cf. below 102-103.

93-97 One form to notify the Administrator-General of the County of any death that may have occurred in a parish under his jurisdiction; and another form to be filled in by the undertaker concerned with the case, designed to check up whether due notification has taken place. "Duplicate of such declaration or certificate to be produced to the officiating minister by the undertaker at the time of burial. If no such certificate be produced, the corpse not to be buried."

98 This passage reads like an introduction leading up to 93-97. Three persons, it argues, must be made responsible for giving the necessary information: he "by whom the body is produced"; the undertaker entrusted with the burial; and the medical practitioner by whom the deceased was attended.

99 "The presumption ought to be in favour of the publick"—until proof to the contrary is available, it is to be presumed that a mass of property whose owner has died will escheat to the Treasury.

100 A somewhat unmotivated note arguing against the compulsory "burying of corpses in woollen".

101 "Where there is no relation within the pale but one who has not been heard of for 7 years, the Adm[inistrat]or-General to enter upon the administration notwithstanding any will and dispose of the property for the benefit of the public: upon the reappearance of the party, restitution to be made, principal and interest, deducting the amount of the Administrator's commission at $\frac{1}{2}$ the ordinary rate."

102-103 This passage seems to follow 93-97. "Notice to be given in like manner to the Deputy Administrator-General within

- whose district the house at which the deceased died is situated. Deputy Administrator to repair forthwith to the spot, to take an inventory of the effects of the deceased" &c. The detail also contains some of the provisions indicated in 88-92. Servants, boarders and lodgers to have a "month of grace".
- 104 Safeguards "to prevent the loss that is liable to arise from the disclosure of secrets in the way of manufacture . . . in case of partnership".
- 105 "Creditors must not be defrauded." The passage does little more than elaborate this desideratum.
- 106-107 "Weekly lists of the decease of persons within the purview of the law to be published in the county paper of each person's last residence and in the London Gazette: with notices for creditors and debtors to come in within a certain time." The case of the debtor is discussed and some law reforms demanded.
- 108 "Some precautions . . . against frauds which might otherwise be practised" esp. in the case of *cestuy que trusts*.
- 109 "Provisions respecting Quakers, Jews, Catholics, and other persons professing religions different from the established." This short passage should be read as an appendix to 93-97.
- 110-112 "Estates situate in the out-dominions of the King co-ordinate or subordinate to Great Britain." The question discussed is: "Will the ruling powers [and the] courts of the co-ordinate dominions lend their hand to get in property which is to be applied to the relief, not of their own exigencies, but of those of Great Britain?" "This", says Bentham, "is hardly to be expected." It would be the best if the "foreign countries" would also accept the principle of escheat; but even then a satisfactory solution "would draw into discussion a thorough settlement of the doctrine of allegiance".
- 113-121 "Of Sub-Escheators." The functions and powers of this proposed official are discussed in detail. As the Sub-Escheator here spoken of is identical with the Administrator-General of 102-103, the two passages must be taken together. Here his "preparatory functions" are investigated. He is expected: "to collect and return periodical lists of escheatable persons within his Sub-Escheator-wick. . . . These lists to be published quarterly in the newspaper or newspapers of the county: and a day to be assigned in the advertisement for all such persons as are not *escheatable* to give in notices stating the relations they have in virtue of whom they stand excepted out of the Law of Escheat." In this connection Bentham's interest in statistics becomes apparent. "Here, too," he says, "would come in

and without any separate effort or expence, a rich and most correct body of statistical information: means of estimating the values of tontines and annuities upon lives: indications of the salubrity of different situations: data for calculating, and means for watching over, the product of a variety of taxes: facilities for the timely discovery of popular ferments."

122 Cf. vol. I, pp. 318-320.

One short side-thrust at Blackstone (a very unsatisfactory sentence) omitted.

123-125 Cf. vol. I, pp. 326-328.

126 Another version of Bentham's claim that escheat would not be felt as a tax because "every thing in the line of inheritance"—esp. expectation and disappointment—"follows the finger of the law". The whole page is crossed out.

127 Cf. vol. I, pp. 332-333.

A short passage of very rhetorical character omitted.

128 Cf. vol. I, pp. 318 and 332.

A short passage referring to a chapter never written omitted.

129 Cf. vol. I, p. 333.

A short diatribe against "natural right" omitted.

130-135 Cf. vol. I, pp. 333-337.

136 A series of invectives against "natural law".

137 Cf. vol. I, pp. 342-344.

138 Cf. vol. I, pp. 353-355.

139-140 Cf. vol. I, pp. 345-346.

A few introductory lines omitted which are crossed out in the manuscript.

141-142 Cf. vol. I, pp. 344-345.

A short closing passage over which a question mark is written omitted. It is purely rhetorical.

143 Cf. vol. I, pp. 347-348.

144 Cf. vol. I, pp. 350-351.

145 Cf. vol. I, pp. 344 and 346-347.

146-151 Cf. vol. I, pp. 348-350.

152 Cf. vol. I, p. 342.

153-155 Cf. vol. I, pp. 337-340.

156 Cf. vol. I, p. 340.

157-158 Cf. vol. I, pp. 351-353.

159 Cf. vol. I, pp. 341-342.

160-161 Cf. vol. I, pp. 328-330.

162 Cf. vol. I, pp. 321-322.

163-164 Cf. vol. I, pp. 330-332.

The text is slightly rearranged by shifting the passage "where there is wealth . . . to England" to the end.

165-175 Cf. vol. I, pp. 322-326.

One fragmentary sentence and two crossed-out passages omitted.

176 A short criticism of Blackstone's treatment of the right of succession and a passage showing "the propriety of sanctioning bequests".

177 This entire page is crossed out. The whole of the law of inheritance was developed "during the exclusive reign of common law", while only a statute can introduce all the necessary or desirable refinements and modifications.

178 Several short and rather disjointed notes. One insists that escheat is in accordance with the disappointment-prevention principle; a second discusses why "escheats had ceased to be a considerable source of revenue, before the rise of a permanent system of taxes"; a third is reminiscent of 177 (cf. above); the last is mentioned in vol. I, p. 70, footnote, and follows here:

"As it spares taxes, *pro tanto* paying off debt with capital, it will diminish frugality, at least saving, and thence keep down the encrease of the quantity of capital, and the consequent diminution of the rate of interest.

"It will retard in a small degree the reduction of the rate of interest.

"It will reduce the price of land.

"It will lessen the accumulation of capital.

"But in as far as it raises the price of stock, by diminishing the quantity, it will encrease the quantity of floating capital, and tend to raise the price of land.

"In as far as it diminishes taxes, it will encrease clear income, and by encreasing expenditure in taxed articles as well as others encrease the produce of taxes almost in general.

"It will rather disfavour the landed interest, though only in proportion as they cease to be so.

"It will favour in equal proportion the monied interest, by retarding the reduction of the rate of interest.

"It will operate in restraint of dissipation on the part of landed men.

"The utmost limit of its effects in the way of reduction is the reducing the interest of money laid out in land to the interest of money laid out in the funds or on mortgage because a man, though he will not take less interest for his money in this way, will always take equal interest. Land has now the preference in a slight degree, then it may almost cease to have a preference but it [this preference] can never cease altogether,

much less [can income derived from land] come to be less valued than income derived from other sources."

179 A list of sources concerning the history of the law of escheat.
180-181 Cf. the introductory essay to *Escheat vice Taxation*, vol. I, pp. 63-64.

182-188 "Revenue must have officers to collect it. The history of escheats is inseparably combined with the history of Escheators." A little piece of historical research undertaken by Bentham with the help of medieval statutes. He tries to trace the administration of escheats from 1066 to 1331.

189-195 Cf. vol. I, pp. 360-364.

196 Cf. vol. I, p. 70, footnote. Here is the text:

"Inconveniences resulting from the fall in the (relative) value of ready money.

"1. Fall in the income of the proprietors.

"2. To save themselves from this fall, disposition to take inferior security, whence encrease of failures.

"3. Such failures by occasioning a stagnation of credit raise again the value of ready money, which checks the present inconvenience in future but has produced mischief in the mean time.

"4. (Hence the prosperity of the country the cause of failures.)

"5. These effects attach only to the relative encrease with reference to population.

"6. The value of ready money has two antagonists:

1. *Land*, the source of perpetual but gradual income.

2. *Labour*.

"7. Plenty of money does mischief in as far as it sinks the income of moneyed men.

"8. But it does good, in as far as it raises the price of labour.

"9. The price thus raised is not the mere *nominal* price, but the *real* price."

197-201 Cf. vol. I, pp. 364-366.

202-204 Cf. vol. I, pp. 366-367.

205-210 Cf. vol. I, pp. 356-360.

A short reference to previous parts of the book omitted.

211-224 Cf. vol. I, pp. 311-317.

These very incomplete sheets had to be completely rearranged in order to give a clear and coherent text. This was unavoidable if anything at all was to be made of the material concerned. One very fragmentary passage was omitted; another forms the basis of the summary in the square brackets on pp. 312-313.

225

For the better part crossed out. Blackstone opines "that when once the breath is out of a man's body, whatever property he left behind him . . . power may dispose of it at the suggestion of caprice". Bentham violently argues against this view which carries the principle of escheat far too far. "The very idea of such a proffer [?] can not present itself to my conception without being accompanied with a sentiment of indignation and abhorrence. I should plant beggary at every step in the abodes of opulence, defraud of its recompence the life which has been spent in painful and meritorious service, and glut [?] my coffers with the spoils of the fatherless and the widow." Blackstone's "pernicious prejudice" must not soil a measure of real utility.

BOX XXII

260

A "brouillon" concerning the *Annuity Note* proposal.

261

7. and 8. XII. 1820. "Brouillon" of 262-267.

262-267

7. XII. 1820. Cf. the introductory essay to vol. III, p. 49. Here is the text:

"Paper Money for Spain.

"Of paper money in general, its nature, uses and abuses; of the particular species of paper money here proposed, its uses with reference to the commercial world in general and the present situation of Spain in particular; obligations proposed to be attached to the emission of it; particular form proposed to be given to it.

"I. *Of the Nature of Paper Money in general.*

"Paper money is a species of money in itself not having any value worth regarding in the way of use but [consisting] of a promise to deliver money which has in itself a value in the way of use and from the trust reposed in that promise deriving a value in the way of exchange.

"Particular circumstances out of the question, a man will not in general give to a stranger that which has a value in the way of exchange for that which has not any value in the way of use.

"Metals of all sorts have their use: and it is from these uses, and these alone, that they derived the use they are of in the way of exchange.

"The properties [to] which they are indebted for this usefulness in the way of exchange are durability, divisibility, and portability.

"Divisibility in perfection they possess, all of them, in common: in durability, the difference is not very material: it

is in respect of portability that the two metals distinguished by the name of precious are so much distinguished above the rest.

"It is from superiority of their value in the way of use that they derive this superiority in respect of portability: it is because so large a value is contained in so small a weight and bulk that they are portable with so much less trouble and consequently expence.

"2. *Of the Uses of Paper Money in general.*

"Paper money has two distinct functions which must not be confused: the one partly useful, not exposed to abuse: the other capable of being made preponderantly useful, but in an extreme degree susceptible of abuse. The one is that which it performs in so far as it is employed merely as a substitute to metallic or other intrinsically useful money: the other that which it performs when and in so far as it is employed in making an addition to the stock of money.

"As a substitute it possesses in a superior degree the characteristic properties of the metallic money composed of the pretious metals. By means of it a much greater economy [?] can be made than by means of them in the price and trouble of *reckoning** and carriage.

"That the whole quantity of paper money in a country should operate purely in the quality of a substitute to metallic money, and not to any amount as an additament, it is necessary that for every particle of metallic money promised by a particle of paper money, the particle of metallic money so promised should be kept in kind without being ever employed in the way of exchange.

"3. *Of that Use of Paper Money ¹which consists in its being employed² as an Additament: of the Means of employing it in this character to the best Advantage: and of the Means of preventing the Use from degenerating into Abuse.*

"From an issue of paper money in excess, two distinguishable mischiefs are liable to arise: namely rise of prices; and breach of faith, failure in the performance of the promise of which the paper money consists.

"Rise of prices is an evil consequence which to a certain extent is capable of taking place without being accompanied

*"The nature of the case gives room for two modes of reckoning, one arithmetical, counting; the other physical or geometrical, weighing or measuring. Weighing is the more obvious [?], the more common, as being in general the least troublesome: but in some instances measuring has also been employed: inspection is added in all cases."

¹ [Later brackets.]

with the other, without being accompanied with any failur[e] in respect of the performance of the promise: in this case the mischief has its limits: but if once the sort of failure in question has place, then the quantity of additional paper capable of being issued and likely to be issued, and in a measure necessary to be issued, has no limits.

"The addition made to the aggregate quantity of money by paper money is as the quantity of paper money kept in circulation to the quantity of metallic money kept in hand for the performance of the promises made by¹ paper money. Total quantity of metallic money before any issue of paper money, suppose three millions: paper money new issued three millions: total six millions: deduct one million kept to answer the demands, one million: remain five millions: net quantity added to the original three millions, two millions: total of money of both sorts now five millions.

"By rise of prices is here meant—not a rise in the price of this or that particle in the list of things possessing a value as in the way of use, but a universal rise of all such articles in comparison with those articles, viz. money of both sorts, to which no value is given but that which is given to them in the way of exchange.

"Of rise of prices the mischief consists in this: that into one class of men money (i.e. a mass more or less considerable of the matter of wealth in all shapes) is put at the expence of another class of men: always understood that in this there would be no mischief, were it not for the truth of the axiom thus expressible. Quantity of money in question and all other influencing circumstances the same, the suffering from loss not consented to is always greater than the enjoyment from [gain].²

"The effect will be most readily conceived from the case of fixed incomists, [i.e.] persons possessed of fixed incomes. Double prices, you tax all fixed incomists fifty per Cent. Their income being in name the same as it was, is in effect but half what it was.

"Great as the evil is that may in this way be produced, a nation or nations are exposed to a still greater. Cases have more than once happened when but for this evil the greatest of calamities would probably have taken place: in England for example at the time of the Revolution, conquest by a foreign nation, France: or the restoration of the then lately expelled domestic despotism: in the Anglo-American United

¹[The MS reads "be".]

²[The MS in fact reads "loss".]

States, restoration of the foreign and lately expelled despotism of England.

"What is obvious is: the more gradual the rise, the less the suffering: if it be to a certain degree, scarcely is the effect perceived: and the effect may be perceived, and still the cause escape notice. Suppose no addition made to the stock of money, the prices of the articles individually considered are almost without exception subject to fluctuation: to rise at one time, to fall at another: and this is more particularly the case in the instance of those articles, the expenditure on which forms by far the greatest part of the expenditure of the great majority of the people, namely articles of food in general, and bread in particular.

"In a case which, though not likely to happen, has not upon the face of it any thing more extraordinary than the opposite to it has, money might receive encrease, yet no rise of prices take place. This would actual[l]y be the case, if there being no money in use but metallic money, the quantity of the metals in question furnished by the mines should cease to be on the encrease. For as population and thence production encreased, the quantity of articles vendible coming to market to be purchased would encrease: and the quantity of money employable in the purchase of them not receiving any encrease, or not receiving an equal encrease to make the money he had occasion for, each man who had goods to sell would be content to give more of his goods [for the same coin or coins]: in a word, in the case of the decrease of money the exact contrary [?] of that which has place in the case of the encrease of it would have place.

"The fact is that as the art of extracting the metals from the mines has improved, the quantity of money extracted from the mines has continually been on the encrease, and not only the absolute quantity, but the relative quantity, the ratio of the quantity of money to the quantity of things vendible: here there are two modes of encrease which have been going on at the same time: encrease in the quantity of money capable of being made the subject matter of the promises, and encrease of the ratio of the quantity forming the subject of the promise to the quantity capable of being employed in the fulfilment of such promises."

268-274 Cf. the introductory essay to *Observations on the Restrictive and Prohibitory Commercial System*, vol. III, p. 50, footnote.

BOX XXV

36-49 Cf. vol. I, pp. 211-218.

Cf. also introduction to *Colonies and Navy*, vol. I, p. 46, where the correct order of these sheets and their connection with box XVII, 54-57, is explained.

BOX XCIX

180

"Economic Essays. Title: Essay on the Encouragement of Useful Inventions by the removal of the discouragements opposed by the present state of the laws." A few notes (probably 1793 or thereabouts) in preparation of a literary project which Bentham did not pursue for very long.

181

"Adam Smith's *Wealth of Nations*, Contents." Not in Bentham's hand, but with autograph additions and corrections.

182

Cf. vol. I, p. 14.

183

Same title and similar content as 182 but not in Bentham's hand.

184

17.[?] 1797. Looks like a "brouillon" of *Pauper Management Improved*.

185

20. VI. 1801. An early survey of the "topics" which Bentham wanted to cover in the *Institute of Political Economy*. There is a stronger technological flavour about this "brouillon" than about the book as it later emerged. The following sentence is interesting as expressing in a nutshell Bentham's attitude to *laissez-faire*: "In the struggle for encreasing wealth, it will happen that one man shall give encrease to *his* wealth in such manner as shall occasion a more than equivalent decrease on the part of others: here then comes the demand for the interposition of the law."

186-188

26-29. VIII. 1801. A long list of sixty points which, like 185 above, shows Bentham at work surveying the "topics" to be treated in the *Institute* and trying to elaborate a principle of order according to which they might be ranged. Points 19-25 and 52 establish the distinction, later so fully developed by the Austrian School, between goods of the first order and goods of higher order. Cf. esp. point 20. Point 59 considers the "ways in which the concentration of a large mass of capital in one set of hands, that is under one management, is favourable to the encrease of wealth"—in other words, the economies of large-scale production. Points 12-14 deserve quotation because here, as nowhere else, Bentham comes near to the labour theory of value current at the time. "As neither land can be acted upon or made subservient to human use or well-being but by labour, nor materials acted upon [or] prepared for use, nor

so much as extracted, without labour—in that respect labour may be considered the sole source of wealth, and every modification of wealth may be referred to labour as to its *efficient cause*.

“Though labour (human labour) is but one of several sources of motion, still, whatever is derived from any of the other sources towards the encrease of wealth, may be referred to human labour as its cause: because motion, when produced from any of these other sources, though it thereby saves a proportion of the human labour which would have been required to produce the effect without these assistances, still labour non-human, in so far as it is made subservient to any of those ends which human labour proposes to itself, requires a concomitant portion of human labour to give it birth, or direction, or both.

“All modes of giving encrease to wealth are referable to labour: to the encreasing or husbanding of labour or husbanding (i.e. preserving) the fruit or produce of it.

“Capital is the fruit or produce of antecedent labour applied in conjunction with present labour to the giving encrease to the existing mass of wealth.”

- 891 “Causes of wealth, tabulated 20 June 1801.” In a secretary’s hand, with autograph additions by Bentham. The part in the secretary’s hand is probably a copy of much earlier materials. Cf. Geneva collection, box LI, 258, which copies about a third of this sheet. Cf. also 192 of this box. French throughout.
- 190–191 “*Economie-Table des Matières*. Revived [*sic*] 20 June 1801.” A typical “brouillon”. Possibly drawn up for the *Manual*, Bentham seems to have had a look at it when he prepared the *Institute*. In French.
- 192 “*Tableau général des moyens d’accroître la masse des richesses. Manières d’augmenter l’effet du travail. Manières d’augmenter la quantité du capital productif*.” Cf. 189 above and Geneva collection, box LI, 258 and 259. In French.
- 193 “*Des Réformes*.” “*Impôts Nulles* [?] *Plaines*.” A very few chaotic notes. In French.
- 194–195 In Dumont’s handwriting, with autograph additions by Bentham. Practically identical with Geneva collection, box LI, 245, 258, 259, *q.v.* In French.
- 196 23. VII. 1801. “Brouillon” to “Contra Eden” [and Vansittart]. Cf. vol. II, pp. 343–423.

BOX CI

I

8. III. 1804. Cf. box XVII, 339–353. This sheet is, like the papers collected there, a set of “contents” of *Institute* materials.

BOX CVII

23 For extracts, cf. vol. III, pp. 14 *et seq.*

BOX CVIII

I Sept. 1798 (probably). Letter (draft) to Sir Reginald Pole Carew. Cf. vol. II, pp. 27 *et seq.*

BOX CLXVI

I Cf. vol. I, p. 29, footnote 2.

The rest of this sheet is a summary covering roughly the first "Letter to Mirabeau".

2-5 All crossed out and replaced by new versions contained in box IX, 37-49 (Letters to Mirabeau). Cf. footnote 2 on p. 29 of vol. I.

6-11 Cf. the introductory essay to the *Defence of Usury*, vol. I, p. 29. The material belongs to the projected "Letters to Mirabeau".

12-13 Cf. vol. I, p. 379.

13 [*sic*]-15 "Industry Relief Tax." A fragmentary passage, probably the beginning of a projected pamphlet. The man of industry is groaning under three great burdens: "1. The limitation of the legal rate of interest. 2. The enormous expence of patents for inventions. 3. The rule of common law which prevents a man from lending money on condition of sharing the profits of a manufacturing or other trading concern without hazarding his whole fortune." These obstacles ought to have been removed long ago and that gratis, but at the given juncture money might be made out of their abolition.

16-19 "Licence duties proposal." "Licence duties on occupation[s] of a lucrative nature . . . are a species of poll taxes" and as such unjustified. They are, however, "preferable to poll taxes grounded on, and proportioned to, rank or other distinction which, not being a source of ability [to pay], can in general afford but a still more precarious and fallacious indication of it". Hence "poll taxes of this kind, if sufficient care be taken to confine them to occupations not generally exercised but by persons in easy circumstances, and fixed at an amount bearing a very small proportion to the annual gains usually made . . . may not in general be productive of distress nor of any considerable degree of burthen", though "a proportional tax on profits" remains preferable. "This mode of taxation has already envelopped about 40 classes of lucrative occupations" and "a list of all other lucrative occupations to which the mode of taxation in question appears capable of being applied" ought to be drawn up.

These four pages were probably written in connection with the pamphlet of 1794 printed in vol. I, pp. 375 *et seq.*

20 Cf. above *sub* 2-5 and vol. I, p. 29, footnote 2.

21-26 "Views of Economy: written for the use of the French Nation, but not unapplicable to the English." The general drift of this set of preliminary notes is seen from the following short extract:

"If a declaration of rights should be thought proper to be extended to such part of the interests of the people as is concerned in the business of finance, such part of it might assume the following shape.

"No man ought to have any thing taken from him on account of the public beyond his equal share in the expence absolutely necessary for the maintenance of his rights, and those of his fellow citizens.

"As whatever is spent in waste by the trustees of the people must be made good at the expence of the people, not a penny can thus be wasted without a violation of their rights.

"To judge of the expediency of an article of expence, compare the benefit of it to the extent of the sum requisite with the mischief of the most grievous tax: since by striking off the former, the latter might be spared.

"The expence of public improvements ought to be charged only on those who are to reap the profit."

The remainder of the argument is all familiar. It is, most of it, repetition of what is said in the proposed appendices to the second edition of the *Defence of Usury* (cf. vol. I, pp. 195 *et seq.*), the pamphlet *Colonies and Navy* (cf. vol. I, pp. 209 *et seq.*), and the "Letters to Mirabeau" (cf. introductory essay to the *Defence of Usury*, vol. I, p. 29).

27-49 This is a bundle of "brouillons", most of them marked "ποροι", i.e. "resources". They deal with the various financial projects which occupied Bentham in 1793-95 and which are discussed in the introductory essay to the pamphlet *Supply without Burthen, or Escheat vice Taxation*. In part these sheets are collections of data and in part sketches of essays from which Bentham intended to work, and some of which he in fact used. Here follows a list with very short indications of some of the contents:

27 (6. IX. 1794—cf. vol. II, pp. 13-14—Certain jottings concerning the administrative apparatus necessary for the proposed government traffic in annuities); 28 (cf. vol. II, p. 148—A list of "modifications" of "annuities purchaseable" and "saleable"); 29 (Definition of "money traffic": it is "exchange of money possessed or to be possessed at one time for money to be

possessed at another"; list of "modifications"); 30 (*re Tax with Monopoly*); 31 (18. X. 1794—"Natural classes to which the taxes termed stamp duties are referable"); 32 (24. X. 1794—*re* "Money Traffic"); 33 (probably Oct. 1794—more *re* "Money Traffic and Exchequer Notes"); 34 (cf. vol. I, pp. 277-278); 35 (14. X. 1794—stamp duties); 36 ("Industry Relief Tax"—cf. above 13-15); 37 (Consumables taxed); 38 (This sheet is a series of disjointed notes, all of which are crossed out); 39 (16. or 18. X. 1794—cf. vol. I, p. 60—Examples of taxes on necessities: their possible effects on consumption); 40 (Lotteries; cf. below 168); 41 and 42 (Professional taxes); 43 (13. IX. 1794—Political Economy: Discutenda—Sources of error in economic reasoning, e.g. want of distinguishing cost in labour from price in money, etc.: no elucidating text); 44 (Summary of 209-236 below); 45 (Escheat—Produce: an attempt at calculation; cf. box XX, 211-224); 46 (18. X. 1794—Poll taxes; cf. above 16-19); 47 (Taxable consumables); 48 (Escheat—Objections; cf. box XX, 12); 49 (A list of laws on taxation, in a secretary's hand).

50 June 1799. A detached sheet belonging to the Annuity Note project. The page contains only a few words.

51-53 Cf. vol. II, pp. 119-120.

54-57 An attempt to classify "the branches of this species of traffic [i.e. money traffic as understood by Bentham] that have been, or might be, carried on" which breaks off before coming to the point. "The modifications of supply will depend upon the modifications of demand" and thus ultimately "upon ability to purchase". Money traffic is an exchange of like for like in which "futurity is indispensably concerned: there is an exchange either of present for future, or of future for future: and thus much all branches of it have in common". "Of the several modifications of demand which the nature of the case affords, the sources of distinction are as follows: 1. Description of the individual whose benefit is in view. 2. The number of the individuals so concerned. 3. The presence or futurity of the object of purchase. 4. In case of futurity, its certainty or uncertainty, i.e. contingency." Cf. box III, 286, points 1 and 2.

58-63 Cf. vol. II, pp. 121-125.

64-72 Cf. vol. II, pp. 125-130.

73-79 Cf. vol. II, pp. 177-182.

80-81 Cf. vol. II, pp. 184-185.

82-83 Cf. vol. II, pp. 186-187.

84 Cf. vol. II, pp. 182-183.

- 85 Cf. vol. II, pp. 187-188.
 86 Cf. vol. II, p. 183.
 87-88 Cf. vol. II, pp. 188-189.
 89 Cf. vol. II, pp. 183.
 90-92 Cf. vol. II, pp. 189-190.
 93 Cf. vol. II, p. 196.
 94-96 Cf. vol. II, pp. 196-198.
 97-100 Cf. vol. II, pp. 198-200.
 101-126 Cf. vol. I, pp. 380-391.
 127-133 Cf. vol. I, pp. 396-399.
 134 Cf. vol. I, p. 391.
 135-138 Cf. vol. I, pp. 392-394.
 139-143 Cf. vol. I, pp. 394-396.
 144-146 Cf. vol. I, pp. 399-400.
 147-148 Cf. vol. I, pp. 391-392.
 149-150 Cf. vol. I, pp. 400-401.
 151-152 Cf. vol. I, pp. 401-402.
 153-157 "Salary reduction." A small fragment, the beginning of which indicates the drift of the argument:

"Two points in the account of finance have often struck me as matters of regret, the degree of unmerited envy to which his Majesty's servants of almost every description stand exposed by a mere arithmetical misstatement, and the unaccountable indulgence which the most opulent district of his Majesty's dominions has so long been in the enjoyment of. Offices are set down in the Red Book—a Book which meets every eye—with salaries opposite to them to the amount of so much a year, when in fact not so much as $\frac{3}{4}$ th of the sum ever finds its way into the pocket of the officer. And who reaps the benefit of the reduction? The public at large? No: but a portion of it comparatively small and which of all others has the least claim to so partial an indulgence. It is the confrontation of these two ideas that has afforded the ground for the idea of a pecuniary resource, not of any great extent indeed, yet not altogether despicable.

"The outline is this: To exonerate places and pensions as well from the Land Tax as from the several additional impositions, deducting at the same time from each the exact amount of the exoneration. The consequence of this operation will be in respect of the additional impositions a mere simplification in the business of account: but in respect of the Land Tax it will be an augmentation *pro tanto* of the quota paid to that tax by a certain district, to wit [incomplete]."

- 158-160 All crossed out. The material belongs to the pamphlet printed

in vol. II, pp. 115 *et seq.*, and is an early version of the beginning. If taxation could be replaced by the proceeds of government trading, it would be a great boon to the country. Adam Smith is wrong in condemning all government trading and all joint stock company management: both the Post Office and the East India Company are prosperous. The following passage is perhaps not without interest from the point of view of the "psychology of economic man" elaborated by Bentham:

"The truth is that in all free exchanges (the accident of a bad speculation excepted) each party gets for a thing more than it is worth, viz. to him, or there would be no such thing as an exchange made, [because there would be] no inducement to make the exchange. What is called an equivalent, is in fact always an equivalent and more: if it were no more than an equivalent, it would afford no inducement."

161-164 Cf. vol. II, pp. 146-148.

165 This page is practically empty.

166-167 Cf. vol. II, p. 121.

168 A fragment concerning lotteries. They are rightly condemned in their given form because they are connected with abuse: but "the abuse is effectually separable from the use", and they might be useful "not only by the money they produce, but in a moral view" as well. Cf. above 40 and below, Geneva collection, LI, 54-67.

169-170 Cf. vol. II, pp. 148-149.

171 Cf. vol. II, pp. 145-146.

172-175 A short summary, and fragmentary discussion, of Francis Maseres's *Principles of the Doctrine of Life Annuities* (1783), or rather of the *Essay on the Publick Debts of this Kingdom* by Sir Nathaniel Gould reprinted therein (pp. 391-447). It is not a good idea to suggest the exchange of perpetual government annuities into temporary ones for fixed terms, whatever the modifications of the latter. Cf. above *sub* 28.

176-177 Cf. vol. II, pp. 141-142.

178 Cf. vol. II, pp. 140-141.

179 Cf. vol. II, p. 130.

180-181 Should the government take up annuity dealing, as proposed, several advantages would accrue. 1. Purchasers would enjoy more security than at present, when they have to buy from private companies; 2. needy men would be taken out of the hands of private money-lenders; and 3. "whatever may be the real amount of that [latter] advantage, there can be but little doubt of its apparent magnitude in the public eye . . . : a most

indisputable advantage while it lasts". One page seems to be missing here.

- 182-184 Cf. vol. II, pp. 132-134.
 185 Practically all crossed out. A list of the various modifications of "annuity-dealing".
 186-188 Cf. vol. II, pp. 131-132.
 189-191 Cf. vol. II, pp. 137-138.
 192-193 Cf. vol. II, p. 141.
 194-197 Cf. vol. II, pp. 138-140.
 198-201 Cf. vol. II, pp. 134-136.
 202-205 Cf. vol. II, pp. 142-145.
 206-208 Materials belonging to *Supply without Burthen, or Escheat vice Taxation*; cf. vol. I, pp. 279 *et seq.* 206-207 are various notes, much crossed out, and, as it seems, very early; 208 is a stray page of text where almost all is crossed out.
 209 "Contents" of chapter [I] of the *Proposal for the Circulation of a [New] Species of Paper Currency*, vol. II, pp. 155-158.
 210 Draft of the letter to Charles Long printed in Bowring's *Works*, vol. X, p. 303, and referred to in vol. I, p. 61 (introduction to *Supply without Burthen*).
 211-213 A draft introduction to the *Proposal for a Tax on Bankers* which seems to have been abandoned as the pages are, from top to bottom, covered by question marks. The argument proceeds as follows: Equalising the Land Tax has often been proposed; but there is "a great objection to a land tax equal or unequal", namely "that, even if it were equal as between the land-holders in respect of one another, it is unequal in respect of the land-holders compared with every other description of proprietors". "If over and above the mass of taxes on consumption which rain down indiscriminately, taxes are levied upon one species of income, so ought they upon every species of income, and that in equal proportion, unless where some specific and conclusive reason to the contrary can be assigned." Obviously Bentham intended to go on to say that bankers' profits are a case in which it is difficult to see any justification for the exemption they enjoy.

In this connection Bentham professes his belief in the maxim: old taxes, good taxes; new taxes, bad taxes: "I do not look upon the Land Tax in any shape or in any proportion as a just and eligible tax. I mean I should say as one that in its origin was a just or eligible one: for now that it is so deeply rooted, the case is very different: almost any tax that the people are accustomed to, and accustomed to submit to, is eligible in comparison of a novel and untried one."

- 214-236 Cf. vol. I, pp. 403-412.
 237-239 *Supply without Burthen, or Escheat vice Taxation*. Part of the text of the printed pamphlet.
 240-241 *Tax with Monopoly*, text in the hand of an amanuensis. Cf. below under 244-252, and vol. I, pp. 369-374.
 242 This page deals with some non-economic topic.
 243 21. XI. 1796. *Tax with Monopoly*, "contents" (autograph).
 244-252 *Tax with Monopoly*. The text, in Bentham's own hand, and later copied on to 240-241 by an amanuensis.
 253 15. XI. 1797. J. B. to G[eorge] Rose re "Facts relative to deficiencies in the Horse Tax" (Draft of a letter). Bentham writes that the returns of horse owners are notoriously false and discusses some possible remedies.

BOX CLXIX

- 173 The draft of a preface to the second edition of the *Defence of Usury*, but ostensibly earlier than box XVII, 4-5, printed in vol. I, pp. 191-194.
 174-175 Cf. vol. I, pp. 188-190.
 250-255 "Hints relative to the Sketch of a General Inclosure Bill." Marginal note: "Copy read and delivered to Sir J. Sinclair at his house, 10 Feb. 1796. J. B." Various comments on the draft of a bill. Bentham's aim is to make it as wide in its provisions as possible.

It is possible that the subject remained alive in Bentham's mind as we find some correspondence in Bowring's *Works* (X, 373 *et seq.*) which might conceivably bear on it. Cf. especially the letter to Arthur Young of July 8, 1801 (*ibid.*).

BRITISH MUSEUM COLLECTION

(Add. MSS 31235; Vansittart papers)

- 1-8 July 1799. Second letter *On the Stock Note Plan*. Summarized in the introduction to vol. II, pp. 34 *et seq.* (The pages quoted in vol. II refer to the pagination by Bentham, not to the numeration supplied by the British Museum followed here. Bentham paginates 1-15, where the British Museum counts 1-8.)
 9-12 20. IV. 1801. Letter to Nicholas Vansittart. Cf. vol. II, pp. 74 *et seq.*
 13-15 24. IV. 1801. Letter to Nicholas Vansittart. Cf. vol. II, pp. 79 *et seq.*
 16-21 Not dated here, but dated 21. IV. 1801 by Bowring (*Works* X, p. 366). The real date must, however, have been 24. IV. 1801, as Vansittart's letter, to which these pages constitute Bentham's

- answer, is dated "Thursday morning", and the Thursday of that week fell on the 23rd. Bentham's covering letter to this material is correctly dated "24th April 1801." Cf. above, 13-15, and *Works* X, 364 *et seq.* Cf. vol. II, pp. 343-350.
- 22 20. VII. 1801. Letter to Hiley Addington. Cf. vol. II, p. 87.
- 23-26 "On the Form of the Supply to the Sinking Funds." Summarized in vol. II, pp. 44-47.
- 27-30 A secretary's copy of chapter XV of the *Abstract or Compressed View*—"Reduction of Interest—Proposed Mode compared with Mr. Pelham's". Cf. vol. II, pp. 287-293.
- 31-32 20. VII. 1801. Sir Frederick Morton Eden to Nicholas Vansittart. This letter is the basis of 36-86 below, where it is quoted verbatim, sentence for sentence, and rebutted point for point.
- 33-35 10. VIII. 1801. Letter to Nicholas Vansittart. Cf. vol. II, pp. 89 *et seq.*
- 36-86 Cf. vol. II, pp. 353-423.

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(Dumont papers; French translations of Bentham manuscripts)

BOX L

- 1-29 Cf. above, vol. III, p. 17, and *The Works and Correspondence of David Ricardo*, ed. Sraffa and Dobb, vol. III, pp. 259 *et seq.*
- 30 This sheet contains the chapter headings of book I of *The True Alarm*.
- 31-32 The fragment of Dumont's introduction to his intended French version of *The True Alarm*, quoted above, vol. III, pp. 16 *et seq.* Cf. *sub* 36-37.
- 33-34 Another statement of Bentham's often expressed opinion concerning the connection between money and real wealth. Perhaps by Dumont.
- 35 Cf. vol. III, p. 17.
- 36-37 The continuation of Dumont's introduction as listed *sub* 31-32 above.
- 38-44 "Préliminaires." Various definitions and distinctions are developed here, especially that between "preliminary" and "definitive" prices. Contains nothing that is not also contained in the pages here published.
- 45 A blank page.
- 46-56 Cf. vol. III, pp. 65-70. A later addition at the end of 56 omitted.
- 57 A blank page.

- 58-59 A sketch of the opening passage of the intended French version of *The True Alarm*, giving a short indication of the topics to be discussed.
- 60-61 Cf. vol. III, pp. 109-110.
- 62-95 Cf. vol. III, pp. 70-90.
- 96-97 Blank pages.
- 98-99 A fragmentary passage, omitted and replaced by 100-103. Cf. vol. III, p. 90, footnote 2.
- 100-127 Cf. vol. III, pp. 90-104.
- 128-129 Cf. vol. III, pp. 108-109.
- 130-131 Cf. vol. III, pp. 107-108.
- 132-137 Cf. vol. III, pp. 104-107.
- 138 Title page of book II of *The True Alarm*.
- 139-144 Cf. vol. III, pp. 114-116.
- 145-146 Blank pages.
- 147-148 Cf. vol. III, pp. 129-130.
- 149-150 A fragment explaining that a rise of prices implies a corresponding rise of monetary incomes.
- 151-152 Blank pages.
- 153-154 An inflation is due to an increase in the volume or velocity of money without corresponding increase in goods.
- 155-162 Cf. vol. III, pp. 120-125.
- 163-165 Cf. vol. III, pp. 118-120.
- 166 Cf. vol. III, p. 125.
- 167 A blank page.
- 168-174 Cf. vol. III, pp. 125-128.
- 175 A blank page.
- 176-177 Cf. vol. III, pp. 128-129.
- 178-181 Cf. vol. III, pp. 116-118.
- 182-185 Cf. vol. III, pp. 131-132 (footnote).
- 186-190 Cf. vol. III, pp. 111-114.
- 191 A blank page.
- 192-195 Cf. vol. III, pp. 209-211. "*Montant de la hausse des prix.*"
- 196-199 Cf. vol. III, pp. 207-209.
- 200-208 "*Résultat ou Propositions générales.*" A rapid survey of the field covered by *The True Alarm*, written probably before the penning of the more detailed chapters here printed.
- 209 A blank page.
- 210-211 "*Suite-Résultats.*" Cf. 200-208 above.
- 212-213 "*Suite-Résultats.*" Cf. 200-208 and 210-211 above. This particular passage, recommending the limitation of the number of banking houses, recalls in its argument the pamphlet *Tax with Monopoly*.
- 214-224 Cf. vol. III, pp. 130-137.

- 225 A blank page.
- 226-233 Cf. vol. III, pp. 137-141.
- 234-239 Cf. vol. III, pp. 143-146.
- 240-245 This passage bears the following title in the manuscript: "*Effets d'une addition au numéraire selon son premier emploi*". Similar in argument to 226-233 above.
- 246-249 Cf. vol. III, pp. 141-143. "*Vue hypothétique de l'accroissement de la richesse sans l'opération des mines d'Amérique et du papier monnaie*."
- 250-251 "*Effets du papier-monnaie dans les mains des fermiers*". A very brief fragment.
- 252-265 Cf. vol. III, pp. 146-152.
- 266-269 A passage arguing that the emission of paper money has not led to an undue export of coin, has no tendency to do so, and could not, on this particular score, be accused of damage to the national economy, even if it had such a tendency.
- 270-281 Cf. vol. III, pp. 152-159.
- 282-284 Cf. vol. III, pp. 213-214.
- 285 A blank page.
- 286-289 A fragment comparing the issuing bankers with the coiners. Morally, such a comparison is inadmissible, as the bankers operate under the law; but economically the comparison is legitimate.
- 290 It is astounding that the nation submits to the considerable tax imposed upon them, through the medium of inflation, by the issuing bankers.
- 291 A blank page.
- 292-296 Cf. vol. III, pp. 159-161.
- 297 A blank page.
- 298-304 Cf. vol. III, pp. 161-164.
- 305 A blank page.
- 306-312 A fragment criticizing Adam Smith for his opinion that when paper money flows into circulation, metal money will flow out, and for his use of metaphorical language ("wheel of circulation").
- 313 A blank page.
- 314-319 "*Positions récapitulées*." This passage has a definite anti-mercantilistic flavour. Similar to 200-208, 210-211 and 212-213 above.
- 320-321 "*Erreurs récapitulées*." A very fragmentary passage indicating, very summarily, five "wrong" opinions.
- 322 Cf. vol. III, p. 216.
- 323 A blank page.
- 324-325 The rise of prices caused by inflation is an evil in so far as necessities are concerned, but not in so far as "permanent

sources of revenue" are concerned (land, houses, investments). Too fragmentary to convey anything.

- 326-327 Blank pages.
- 328-331 Cf. vol. III, pp. 211-213.
- 332-334 Cf. vol. III, pp. 214-215.
- 335-337 Blank pages.
- 338 Title page of book III of *The True Alarm*.
- 339-346 Cf. vol. III, pp. 204-207.
- 347-348 Cf. vol. III, p. 165.
- 349-352 Another set of "*Propositions générales*" similar to 200-208, 210-211, 212-213, 314-319. Though headed "*Mesures recommandées*" it does not, in fact, get beyond generalities.
- 353-358 Cf. vol. III, pp. 165-169. "*Premier objet du comité: recherches préliminaires sur les prix.*"
- 359-360 Blank pages.
- 361-371 Cf. vol. III, pp. 169-175.
- 372 A blank page.
- 373-376 Cf. vol. III, pp. 175-176.
- 377-378 Cf. vol. III, pp. 176-177.
- 379-380 Cf. vol. III, pp. 177-178. "*Observations sur le règlement.*"
- 381-383 Cf. vol. III, pp. 178-180. "*Autres remèdes: Arrêter le monnoyage.*"
- 384-388 Cf. vol. III, pp. 180-182. "*II: Moyens.*"
- 389-411 Cf. vol. III, pp. 182-194.
- 412-413 Blank pages.
- 414-432 Cf. vol. III, pp. 194-203.
- 433 A blank page.
- 434-439 "*Essai d'un résumé général*" of Bentham's *Alarm* papers, beginning with the words: "*Si j'ai compris l'argument de B.*" which indicate that Dumont drafted this summary in order to find out how far he had understood Bentham's analyses.
- 440 Title page (modern) to 441-453.
- 441-453 "*Discussion sur le Papier-monnaie à propos d'un ouvrage d'H. Thornton.*" As Thornton's *Enquiry into the Nature and Effects of the Paper Credit of Great Britain* appeared only in 1802, these pages prove that Bentham was in that year still endeavouring to finish *The True Alarm*. Though deeply impressed by Thornton's work, Bentham yet feels that he must cross swords with him. According to Thornton, the historical increase in the circulation of paper money was, in view of the growing volume of market transactions, a matter of necessity rather than choice; and his inference is that, as a matter of necessity, it ought not to be impeded, let alone stopped, by legislative measures of the kind recommended by Bentham. Bentham in reply denies that the evils of deflation can ever be so great as

the evils of inflation, especially as a deflation due to natural economic processes, such as the growth of production and commerce, can never be anything but very gradual. In a note at the end of 453 Dumont tells us that he has not finished the translation because he could not fully understand the final parts of Bentham's text.

448-449 are particularly interesting. Bentham here expresses the hope that Britain may not be fully industrialized because industrialization would mean dependence on foreign (and potentially hostile) countries for the basic food supplies. 450 recommends, by way of an aside, the erection of corn magazines.

445 An interpolated modern page.

455-462 Pinto [in his book *De la Circulation et du Crédit*, cf. vol. II, p. 294, footnote] and Bishop Berkeley in his *Querist* have argued that the creation of a national debt adds to national capital. This is wrong; a national debt *transfers* values, but does not *create* any. (Bentham's view is that not the creation, but the *repayment* of a national debt adds to capital.) Not a complete translation of Bentham's text.

463-464 Blank pages.

465 This looks like a page destined for the *Manual*. It concerns commercial treaties (*traités de faveur*) and argues that if a nation A can provide us with a given article at a given price, even though there is a (British import) duty on that article, whereas another nation B could not provide the article at that price unless the duty be removed—then the duty ought *not* to be abolished as it is so much gain to us.

466-467 A blank page and a title page.

468-469 Not in Dumont's handwriting, but possibly based on a genuine Bentham text lost to us. "Several authors have maintained that trade and industry, if they were left absolutely free, would always shift from the richer state to the poorer; they have given as reason for this shifting of industry [the fact] that in the country where money is plentiful, everything is expensive; in the one where it is rare, all the necessities of life are to be had cheaply." This proposition is erroneous. It only applies where the opulence of the "richer" country is due to non-economic factors (booty etc.); such "wealth" is, of course, easily lost (cf. Spain, Portugal). But where the superiority of the richer country is due to economic causes, i.e. to higher productivity, its advantages are not ephemeral. An interesting passage. Cf. 470 now following.

470 Perhaps destined for the *Manual*. "*Du pillage*." Making booty

and securing tributes from other nations leads in the end to impoverishment because the home resources are neglected.

471-472 Blank pages.

473-475 Partly a French version of §12 of the *Manual* as printed in vol. I, pp. 254-255, but going a little beyond that text.

476 A blank page.

477-479 A French version of the footnote printed on p. 236 of vol. I.

480 A blank page.

481-484 A French version of part of §19 of the *Manual* as printed in vol. I, pp. 260-265.

485-486 "*Mrs. B. et Caroline—De la Dépense.*" If by Bentham at all, of very early date, perhaps before the *Defence of Usury*. Part of a primer in economics discussing, in a playful vein, expenditure, "productive" and "unproductive" labour etc. A chapter on production has gone before. "Mrs. B." and "Caroline" would be difficult to identify, but Caroline would seem to be Caroline Vernon rather than Caroline Fox as there is talk of a sister.

BOX LI

I-52

"*De l'Origine et des Fondemens de la Propriété.* Reponse aux objections de Bentham par André Morellet; avec une lettre de ce dernier à Dumont sur le même sujet."

53

Title page.

54-67

"*Des Lotteries.*" In these pages, five objections to lotteries are listed and in turn rejected: that they are fraudulent; that they foster reckless spending; that they stimulate the gambling spirit; that they create unhappiness in those who draw blanks; and that, as an institution of finance, they are unsuitable because they are too expensive to run. Bentham denies that there is any fraud in the matter; insists that there is more temptation to overspend on ordinary, everyday sensual enjoyments than on lottery tickets; contrasts the coolness with which such a ticket is purchased with the fever which prevails at a gaming table; calculates that the pleasure of expectation, spread as it is over a considerable period, is bound to be greater than the momentary pain of disappointment; and argues that the replacement of a "burthensome" source of government income, such as a tax, by an "unburthensome" one such as a lottery, would justify any expenditure that is no more than a percentage of the yield.

Cf. vol. I, p. 73, footnote 1.

68-71

Blank pages and titles.

72-77

Cf. vol. III, pp. 221-223.

78-81

Cf. vol. III, pp. 224-225.

- 82-87 Cf. vol. III, pp. 225-229.
- 88-91 Cf. vol. III, pp. 229-231.
- 92-94 A passage, only in part translated by Dumont, which repeats the ideas expressed in the opening paragraphs of chapters III and IV of the pamphlet *Of the Balance of Trade* (cf. 82-87 and 88-91 above).
- 95 A blank page.
- 96-99 Cf. vol. III, pp. 231-233.
- 100-102 Mercantilism is disproved by the statistical facts: according to the "system" England [*sic*] should have received, in the last 102 years, much more metal than, in point of fact, she has received. The figures given are totally incomprehensible.
- 103 A blank page.
- 104-107 Cf. vol. III, pp. 234-235.
- 108-113 Cf. vol. III, pp. 235-238.
- 114-117 Cf. vol. III, pp. 238-242.
- 118-119 Contra Adam Smith; partly identical with 108-113 above. The last paragraph praises Hume whose essay on money is said to have "contained the germ of nearly all that remained to be discovered in this subject".
- 120-129 "*Théorie de la balance considérée dans son ensemble.*" Probably early. All the points touched upon are more fully developed in the papers published in vol. III, pp. 217 *et seq.*
- 130-131 Cf. vol. III, pp. 242-244.
- 132-133 "*Indication d'une taxe indirecte sur le revenue résultant d'une augmentation de numéraire.*" A footnote to 130-131 not understood by Dumont and hence badly translated.
- 134-139 Cf. vol. III, pp. 244-246.
- 140 Headed: "*Fragment—Du profit et de la perte.*" We may conjecture that the point Bentham wished to make was that in international trade "profit [is] natural and general—loss only accidental."
- 141-143 Blank pages.
- 144-216 French translations of *Institute* materials of which the English originals are preserved.
- 217 A modern interpolation (title).
- 218-229 "*Finances—Impôts.*" The English originals of these papers seem to have been lost. Written probably before Bentham began to study economics more intensively, they recall his legal treatises as much as his economic ones. Three "objects of finance" are enumerated: 1. to find money without depriving the people and without hurting anybody; 2. to reduce the pain connected with the payment of taxes to its minimum; 3. to avoid all collateral evils which the imposition and collection of taxes may involve. These three points are then, somewhat super-

- 230-233 ficially, discussed. Several names are mentioned: Law (220), Horne Tooke (221), and Condillac (228, 229). The latter is criticised for his opposition to all taxes on consumption.
- 230-233 The general principle of taxation most clearly formulated by Bentham later on in *The Rationale of Reward* (*Works* II, 202; cf. vol. I, pp. 58, 59) is here a little further elaborated, but in a moral rather than in an economic vein. Useless courtiers should not be fed at the public expense. The fragment recalls in its general drift the "Letters to Mirabeau." Cf. vol. I, p. 29, footnote 2, esp. Point II.—Probably contemporary with 218-229.
- 234-237 A fragment on taxation, probably contemporary with the two foregoing sets of pages. Bentham here defends tax-farming against Adam Smith. The weaknesses of the tax-farming system as experienced in the countries where it exists, are due to secondary, not to fundamental causes. For some types of taxes at any rate, farming may be the best form of collection.
- 238-239 Various disjointed notes on finance, probably contemporary with the three foregoing sets of pages. The most interesting fragment occurs on 238 where the language commonly used by tax authorities is criticised.
- 240-244 Blank pages and a modern interpolated title page.
- 245-259 These pages are not in Dumont's hand, but in the hand of an amanuensis. 246-257 are copies of manuscripts contained in 262-297 below.
- 245 contains lists of "Non-Facienda" and "Facienda" based on *Manual* materials. The "Facienda" are identical with those listed on p. 64 of U.C., box XVII. Cf. vol. I, p. 54.
- 258 "*Tableau général des moyens d'accroître la masse de la richesse.*" Twenty-four brief paragraphs including both economic measures, such as "augmentation of the mass of productive capital" and "conservation of the life and working capacity of each individual worker", and technical proposals, such as the use of [Torbern Olof] Bergmann's salts.
- 259 "*Manières d'augmenter l'effet du travail.*" Nine short paragraphs. "*Manière d'augmenter la quantité du capital productif.*" Nine short paragraphs. The same mixture of economic and technological considerations as under 258.
- 260 A blank page.
- 261 There is no page of this number.
- 262-297 *Manual* materials of some of which we do not possess the English originals. Mostly disjointed jottings which, however, reflect Bentham's state of mind around, say, 1793, rather well. One sheet (291) has on its back a passage of much later date

(certainly later than 1801, perhaps as late as 1810) which looks like a first draft of the footnote (1) on page 402 of the *Théorie des Peines et des Recompenses*, vol. II, second edition of 1818.

Of the remaining pages, the following fragments deserve to be mentioned as particularly interesting:

On 267 a passage on population which equates infant mortality and economic waste;

On 272 a passage of which the following is a translation: "For the nations, as for individuals, the happiest state is not to have made one's fortune, but to make it: growing prosperity is [true] happiness. If we were to arrive at the point where all occupations were filled, where the earth had received all [possible] improvements, where industry had no more progress to make—what would the human condition be then? A man could not make his fortune but at the expense of another. In a bad year, he could not preserve his life but at the expense of that of his neighbour. Wages, that patrimony of the poor, i.e. of the great bulk of the community, after having gradually fallen off, would fix themselves at the point where they would provide a man with his bare subsistence, his absolute necessities [and no more]. The state of labour would be a state of war: all against all, fighting to the death like the gladiators of Rome. In a good year, everybody would be able to keep his head above the water: in a bad year, a multitude would perish of hunger and misery. Hope, that greatest of all blessings, would be known only by tradition. All that would be known of it from experience would be but an emaciated shadow . . . a moment of truce in the midst of paroxysms of fear. This degree of unfortunate perfection is not altogether imaginary: China has long ago reached that state of langour; Holland seems to travel towards it [and offers(?)] already the spectacle of a country saturated with prosperity and dead unto hope."

On 284 occurs the passage referred to in vol. I, p. 60. Here is a re-translation of its text, slightly shortened:

"Bad Taxes.

"Taxes are comparatively less noxious in the following order:

1. Poll taxes which include the poor.
2. Taxes on necessities.
3. Taxes imposed on stock [*sur des fonds*] in such manner as to diminish industry.
4. Taxes on the sale of stock transferred *inter vivos* [*entre vifs*].
5. Taxes on the costs of justice.
6. Taxes on public sales or furniture sold at auction."

288 A passage on wage-fixation is summarized by Bentham himself as follows: "A regulation fixing the rate of daily wages or their minimum is a regulation of a prohibitive kind which

excludes from the market [*du concours*] all those the value of whose labour is not equivalent to that rate: the prohibition is enforced by a fine which cannot be evaded, and that fine is the difference between the highest sum which the labour of the workman [concerned] is worth, and the lowest price which the employer is allowed to give."

- 298-301 298 and 299 are probably, 300 and 301 are certainly, by Dumont and not by Bentham. The two former sheets, based on Beeke's *Observations on the Produce of the Income Tax*, discuss the shape of the social pyramid and maintain that there is always a tendency towards a system of distribution under which the number of earners increases as the size of incomes decreases and *vice versa*, and that the series thus established is essentially an arithmetical progression. 300 and 301 are critical jottings of Dumont's, put down apparently while he was reading the *Alarm* papers.
- 302-307 Read in the following order: 302, 307, 305, 306, 303, 304. As the King of France is mentioned on 306 and the Marquis de Laborde-Méréville on 305, this piece must be prior to 1793. "*Sur le système prohibitif en Suisse*." Probably by Dumont. A discussion, inspired by free trade convictions, of tariff policy, taking as practical example the relations between Switzerland and France.

BOX LXXII

This is an (uncatalogued) box of miscellaneous matter. A close search has brought to light two items of interest to the economist. One is the "*index des chapitres*" of *The True Alarm* mentioned above, vol. III, p. 21. The other is a list of "Proposals relative to divers modes of supply, arranged with a view to the order of eligibility: as also for the completion of certain Tables, framed with a view of facilitating the choice of taxes and other resources of finance, including the several modes or species as yet in use, with some additions". This list, which seems to have been prepared for submission to Charles Long (cf. the footnote to Proposal I, "Escheat Resource": "already submitted"; cf. also above, vol. I, pp. 73 *et seq.*), goes beyond the summary of financial projects given in vol. X, p. 304, of the *Works*, and is for this reason printed here in full. It should be compared with the materials preserved in box CLXVI, esp. 13-19, 27-49 and 54-57, *q.v.*

"Proposal I

"Escheat Resource

"Proposal for an unburthensome augmentation of the revenue, by an extension of the law of escheat.

Already submitted.

“Proposal II
“Money Traffic Resource

“Proposal for an unburthensome augmentation of the revenue by an extension of the traffick in money on government account to divers modifications of demand in addition to those to which it has already been extended, on the part either of government,^(a) corporate bodies,^(b) or individuals: whereunto might be added a tax on such as can not be carried on with so much advantage on government account as on account of individuals.^(c)

“To which is prefixed an enquiry in answer to the question, What lucrative occupations are capable of being carried on with advantage on the account of government.^(d)

“Notes

(a) Examples

1. Sale of perpetual redeemable annuities (the common mode of what is called borrowing).
2. Sale of life annuities for lives of purchasers.
3. Sale of annuities for long and short terms.
4. Sale of annuities with benefit of survivorship. Tontine.
5. Sale of chances of large sums for small sums. Lotteries.

(b) Examples

1. Business of the Amicable Society.
2. Business of the Equitable Society.
3. Business of the Friendly Societies.

(c) Examples

1. Insurance of life against life.
2. Purchase of life annuities for sellers' lives on mere personal security or doubtful real security. Quere if the tax would be eligible, being a tax upon distress?

(d) Example of profit by the conjunction of the business of buying life annuities for the lives of sellers with that of selling life annuities for the lives of purchasers.

Receipt for £50,000 a year sold for the lives of purchasers	
at 14 years' purchase	£700,000
Disbursement for d[itt]o bought for the lives of sellers at	
8 years' purchase (lives of equal goodness)	£400,000
	<hr/>
Profit	£300,000
	<hr/>

“N.B. In this Proposal are given *inter alia*

1. reasons for apprehending that the Friendly Societies will in general scarce be able to make good the *half* of what they are likely to undertake for;

2. reasons why the honour of government is concerned in procuring a compleat stock of the requisite *data* without which all calculations relative to the values of life annuities in general and in the instance of the Friendly Societies in particular must be fallacious, viz. a compleat and authentic set of statistical returns shewing the proportion of deaths to inhabitants in the several parishes throughout the Kingdom;

3. reasons why it would be of advantage as well to the individuals particularly concerned as to the public in general that government should take the business of the Friendly Societies into its own hands, that part which concerns the insurance against sickness only excepted.

"Proposal III

"Industry Relief Resource

"Proposal for an unburthensome augmentation of the revenue, as well as for the removal of divers impediments to industry, more especially inventive industry and superior workmanship, by licences conferring the several faculties undermentioned, viz.

1. on the part of the moneyed man, faculty of investing a limited sum in trade or manufacture in consideration of a share of the profits^(a)—hence on the part of the manufacturer or trader a capacity of obtaining capital on such terms;

2. faculty of lending and borrowing capital at a rate exceeding 5 per Cent, the present legal rate of interest;

3. faculty of obtaining patents for inventions without the present expence,^(b) on security given for allowing government an annual consideration in the way of annuity or share of profits;^(c)

4. faculty of exercising a trade without having served an apprenticeship;^(d)

5. faculty of obtaining protection for the reputation of superior workmanship against counterfeits, by a man's registering his name and marks as put upon his goods: counterfeiting the same to be thereupon punishable as forgery.

"Notes

(a) At present, by a construction of Common Law, a man can not lend a penny upon such terms, without risking his whole fortune.

In Ireland, relief is given to a certain degree against this inconvenience, by a statute of about ten years' standing.

(b) For Great Britain, between £200 and £300, in the least expensive case.

(c) This would operate as a saving of so much capital.

N.B. Full indemnification to the several offices concerned.

The three legal restraints, against which these three faculties afford relief, form together an almost total prohibition of *inventive* industry on the part of at least nineteen individuals out of twenty.

(d) In the instance of all four faculties, the licence to be registered.

“Proposal IV

“Industry Taxes

“Proposal for an augmentation of the revenue, by a revival in certain instances (on government account) of the species of tithe called Personal Tithe, or a tithe of the profits of certain lucrative occupations, in such instances in which an indemnity might without inconvenience be afforded by a limitation of the number of persons to be admitted in future to exercise the same;—accompanied with Tables.

Table I. Exhibiting divers occupations to which the indemnity would be applicable without inconvenience.

Table II. Exemplifying divers occupations to which the indemnity would not be applicable with advantage.

Table III. Exhibiting divers occupations to which, although the indemnity could not conveniently be extended to them, yet the tithe might be extended without any other material inconvenience than the burthen of the tax.

“Proposal V

“Consumption Taxes

“Proposal for the extension of the existing list of the taxes on consumption to divers articles as yet untaxed. Whereunto is annexed a Table exhibiting under heads a list of the articles at present subjected to taxation: to which are added in a different character as candidates for taxation divers others as yet untaxed: the heads being framed with a view to facilitate the selection of proper articles.

“Proposal VI

“Income Taxes

“Proposal for the extension of the Land Tax to certain other modifications of assured income or income independent of industry as yet untaxed: shewing moreover the several modifications of assured income which are either less fit for taxation, or incapable of being taxed: whereunto are added considerations on the properest mode of correcting the inequality of the Land Tax; as also respecting a mode of putting the existing duties on offices and pensions into a shape more conformable to the truth of things and less invidious as well as burthensome to the individual taxed.

“Proposal VII

“Licence Taxes

“Proposal for extending the mode of taxation by licences to consumers and other users as well as venders, in certain cases in which the object of a tax upon consumption could not be attained with equal effect by a

tax paid in the ordinary way upon the purchase of the article; as also to individuals at large in respect of divers faculties not dependent for their exercise on any specific article of trade or manufacture.

"Proposal VIII

"Proposal for extending the mode of taxation by licence to divers lucrative occupations to which the same may be applied with less hardship than to divers of those at present subjected thereto: together with a Table exhibiting in a different character occupations taxed and occupations susceptible of being taxed.

"Proposal IX

"Proposal for the application of the mode of taxation by licences to the makers, venders, and possessors of fire arms and certain other weapons of offence, in the character of a measure of police as well as of finance.

"TABLE I

"Taxes &c. classed

"Analytical Table affording a Synoptic View of Taxes and the several other resources of finance, classed according to what may be termed their *pathological* effects, viz. their effects upon the feelings of individuals, and thence upon the general happiness and welfare of the community: being the effects on which their eligibility respectively depends.

"TABLE II

"Stamp Duties classed

"Analytical Table of the heterogeneous class of taxes termed Stamp Duties: in which the several articles are arranged under heads, framed with reference to the mode of operation and pathological effects of each respective article.

1. Taxes on the consumption of articles coming under the denomination of things payable on purchase;
2. taxes on the use of things. See No. 12;
3. on the use of services rendered by persons;
4. on the unbought acquisition of a mass of property or of a lucrative situation;
5. on the bought acquisition of a mass of property or of a lucrative situation;
6. on the acquisition of honourable or other desirable but unlucrative situation;
7. on income derived from the exercise of lucrative occupations;
8. on receipt, lucrative or not lucrative, or disbursement, as it may happen (Receipt Tax);
9. on the contract of borrowing;

10. on miscellaneous contracts;
11. poll taxes on entrance into a desirable situation. *Vide supra*, No. 3,
4, 5, 6;
12. poll taxes payable annually;
13. taxes on justice;
14. taxes on evidence;
15. taxes on pardons."



Though not manuscripts, the following items may be included in this "Systematic Survey" because they are likely to be overlooked, and because they constitute *addenda* to Prof. Everett's Bentham Bibliography printed as an appendix to the English edition of Halévy's *Growth of Philosophic Radicalism*.

Bibliothèque Britannique (Littérature), Geneva 1797 and 1798.

V (1797)

155-164 Dumont's introduction. (On Bentham in general.)

VII (1798)

105-115 Dumont's introduction. (On Bentham as an economist.)

116-133 Extracts (translations) from the *Manual*: Introduction, Definitions, Fundamental Principles, Loans of Capital, and a brief summary of Bentham's chapter on Patents.

Journal de St. Petersburg, 1804.

The letter of Speranski to Dumont of Oct. 10, 1804, printed in vol. X, p. 416, of Bowring's *Works of Jeremy Bentham*, is apt to create the impression that the "specimens of Bentham's work, which have been printed in the *Journal de St. Petersburg*" concern economic problems. According to a report kindly supplied by the Russian *Akademia Nauk*, this is, however, not so. The "specimens" discuss (in Russian) various questions of legislation (the promulgation of laws etc.).

APPENDIX III

EDITOR'S TECHNICAL NOTE

In accordance with the wishes expressed by the authorities of University College, London, the owners of the largest collection of Bentham manuscripts, the present edition follows the principles laid down in the *Report on Editing Historical Documents* published in 1925 by the Anglo-American Historical Committee. This Report, however, does no more than lay down a very wide general framework within which individual editors are free to move in response to the special problems and difficulties with which they are confronted. The following paragraphs will, it is hoped, give the reader some information concerning the techniques used in elaborating the texts printed in these three volumes.

Selection of texts: Wherever a work was available in print, it has been reprinted from the last edition produced in Bentham's lifetime *under his personal care*. Later editions, whether published before 1832 or after, were disregarded. For all Bentham's printed works, the text selected as authentic was followed in all its details. The *Observations by Sir Frederick Morton Eden on the Annuity Note Plan with Counter-Observations* (vol. II, pp. 351 *et seq.*) were handled in the same way. Though never printed, the text concerned (B.M. Add. MSS 31235, 36-86) definitely left Bentham's hand in the form in which we possess it, and so carries all the authority which a critical editor is wont to accord to a printed text. Bowring's *Works of Jeremy Bentham* do not, of course, rank as authentic in any way. No edition could possibly be more uncritical, indeed more careless, than Bowring's. Where we had to fall back on one of Bowring's texts, we have edited it in the same way as manuscript material.

Editing of manuscripts: Manuscripts could not be printed as they stood. Though the detail was followed as far as it was at all possible, the punctuation had to be corrected, or rather supplied (see below), and when alternative versions of a phrase were given, which was often the case, one of them had to be selected. Cf. the footnote on p. 51 of vol. III. Needless to say, it has been the editor's constant endeavour to pick the version which seems to express Bentham's meaning most clearly—the version in fact which he himself would presumably have chosen and retained, if he could have brought himself to devote the necessary attention to such trifles. If most of Bentham's works were prepared for the press, and seen through the press, by friends such as Dumont, Mill senior and junior, George Grote etc., this was largely because he refused to clean up his scripts by the elimination of alternatives: this task was always laid on an editor, and the present editor had to accept it as did all his illustrious predecessors.

Dates: In the case of published works, the date given on the title page is the year of publication. In the case of manuscripts here printed for the first time, the date is the year in which the manuscript was completed. Where, however, the bulk of the work was done in one year, and only a few finishing touches added in another, both years are indicated, e.g. 1793-95; 1800-01, etc.

Spelling: The spelling of the manuscripts is on the whole consistent, and more or less in accordance with modern usage. A few archaisms do occur, such as "fewel" for fuel, "compleat" for complete, and "alledge" for allege. No attempt was made to suppress these occasional deviations as it was felt that they do not render it more difficult to read the text, while their removal would rob it of something of its historical character and colour. A decisive consideration was also that Bentham would not have suffered a contemporary editor to "correct" his spelling, while he would certainly have given him a free hand with regard to such points as punctuation and the use of capitals. A special problem arose in connection with the word "encrease". In view of Bentham's shocking hand-writing it is virtually impossible to distinguish "increase" and "encrease", but in the majority of cases the spelling is undoubtedly "encrease" and this is also the form which regularly occurs where capitals are used. For this reason, "encrease" has been printed throughout. Similarly, such words as "employed" and "destroyed" are sometimes spelt in full and sometimes with an apostrophe ("employ'd", "destroy'd") but this edition uniformly prints the version now generally accepted ("employed", "destroyed") as Bentham himself used this spelling in his printed works.

Punctuation: After careful consideration it was found impossible to transfer the punctuation of Bentham's manuscripts on to the printed page. Whenever he has warmed to a subject and is writing quickly, he simply forgets to punctuate; or he replaces the comma by the dash, the full stop by the colon, etc., etc. We can see what is likely to happen by turning to the passage numbered [XI] on p. 96 of vol. I. To replace chaos by order, a system of punctuation was imposed on the manuscripts which was based partly on Bentham's usage where it is more careful and consistent, and partly on the general usage of the time. In practice this means that we have punctuated somewhat more heavily than is usual today, and that we have punctuated rather more in accordance with the rhythm perceived by the ear than in accordance with the image perceived by the eye. The colon, for instance, has been used to some extent where modern usage prefers the more sober full stop. Wherever the insertion of a punctuation mark was more than a pure formality, the reader's attention has been drawn in a footnote to the fact that it is interpolated.

Capitals: Bentham was most unprincipled with regard to the use of capitals. In accordance with eighteenth-century fashion, they occur more often than in modern practice, but not infrequently the same word in the

same meaning is written with capitals and in lower case on the same page, or even in the same sentence. Any editor, contemporary or modern, would have had to ensure some order and uniformity in this respect. Here the following principles have been applied: 1. Where Bentham has a decided preference for one spelling, this has been adopted. Thus the text prints throughout "per Cent", as "per cent" is less frequent in the manuscripts. 2. Where Bentham seems to vacillate, the modern usage has been followed, partly because Bentham himself was always going with the times, partly in order to make the text more easily readable. The main instances under this head are such words as "banker" and "baker" which are sometimes, especially in older manuscripts, spelled with capitals. 3. For the rest, generic terms are printed in lower case, and proper names with capitals. E.g. "banker's paper", but "Bank paper", the latter referring to a definite institution, the Bank of England. Such terms as "Common Law" or "Statute Law" are regarded as proper names.

In the case of enumerations, 1, 2, 3 . . . are followed by capitals only where a complete sentence begins. If an object is simply named, or if the ensuing sentence is fragmentary, initial letters are in lower case. Bentham's own practice is not uniform.

Abbreviations: Bentham makes frequent use of such abbreviations as viz., e.g., i.e., etc. He has, as always, a certain tendency to put colons where later usage puts simple full stops ("viz:" for "viz.", or "i:e:" for "i.e."), but as no definite principle is involved, the simpler expedient of modern printing has been uniformly adhered to ("e.g." and not "e:g:").

Footnotes: There are two kinds of footnotes—Bentham's own indicated by asterisks, daggers, etc., and editor's footnotes indicated by numbers and put into square brackets as not belonging to the original text.

INDEX

The present index contains both general headings (e.g. Inflation) and specific headings (e.g. Bank Notes (*Bank of England*), Danger of Excessive Issue). Cross references guide the reader from one to the other. It must be pointed out, however, that there are no cross references between headings and sub-headings which begin with the same word. There is, for example, no express reference from "Inflation" to "Inflation as a Kind of Tax."

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ERRATA

Vol. II, page 69. Lines 13-14 should read as follows:

paying for it, by so simple an expedient as that of depriving other men of their property, whatever be the loss by the forgery, they thus

Vol. II, page 163. Line 19 should read as follows:

price. It would, for example, be the money of bankers and money-

Vol. II, Table I, between page 222 and page 223:

This Table should have been inserted, *as a folder*, glued along its left-hand edge, between page 224 and Table II, the front of the folder, i.e. the Table of a Proposed Annuity Note Currency, when extended, facing page 224, and the back, i.e. the Notes to Table II, facing Table II.

Vol. II, page 250. At the very end of this page, a further footnote should be added:

⁶[Cf. the survey of the excluded material at the end of vol. III *sub* box II, 183.]



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